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# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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## Auditor's Report

Xin Kuai Shi Bao Zi [2022] No. ZG12142

To the Board of Directors of Lepu Medical Technology (Beijing) Co., Ltd:

### *Opinion*

We have audited the accompanying financial statements of Lepu Medical Technology (Beijing) Co., Ltd ("LEPU"), which comprise the consolidated and company's balance sheets as at 31 December 2019, 2020 and 2021, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for each of the years ended 31 December 2019, 2020 and 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2019, 2020 and 2021 and the consolidated and company's financial performance and cash flows for each of the years ended 31 December 2019, 2020 and 2021 in accordance with the requirements of Accounting Standards for Business Enterprises.

### *Basis for Opinion*

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LEPU in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matter*

LEPU has prepared separate sets of financial statements for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Accounting Standards for Business Enterprises, on which we issued separate auditor's reports to the shareholders of LEPU, dated 30 March 2020, 26 April 2021 and 25 April 2022, respectively. This report is intended solely for the Board of Directors of LEPU in connection with the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG and is not to be used for any other purpose.

### *Responsibilities of the Management and those Charged with Governance for the Financial Statements*

Management of LEPU ("management") is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing LEPU's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LEPU or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing LEPU's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LEPU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LEPU to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within LEPU to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**BDO CHINA Shu Lun Pan  
Certified Public Accountants LLP**

**Certified Public Accountant of China:**

**Certified Public Accountant of China:**

**Shanghai, China**

**15 September 2022**

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Consolidated Balance Sheet (All amounts in RMB Yuan unless otherwise stated)

Assets	Note	2021.12.31	2020.12.31	2019.12.31
Current assets:				
Cash at bank and on hand . . . . .	V.1	3,797,546,828.75	2,433,978,735.24	1,953,980,223.51
Settlement reserve. . . . .				
Lending funds . . . . .				
Financial assets held-for-trading. . . . .	V.2		20,628,580.82	10,000,000.00
Derivative financial assets . . . . .				
Notes receivable. . . . .	V.3	53,771,351.46	14,267,968.00	34,156,707.21
Accounts receivable . . . . .	V.4	1,661,121,687.38	2,100,443,169.69	2,166,546,179.03
Receivable financing . . . . .	V.5	81,021,515.38	94,902,622.37	84,620,439.23
Prepayments . . . . .	V.6	283,134,355.78	170,006,036.34	88,756,848.83
Insurance premium receivable . . . . .				
Reinsurance premium receivable. . . . .				
Reserves for reinsurance contracts receivable . . . . .				
Other receivables . . . . .	V.7	178,277,572.38	145,813,919.47	128,799,529.45
Financial assets purchased under agreements to resell . . . . .				
Inventories . . . . .	V.8	1,938,933,788.59	1,423,743,740.63	1,004,827,585.23
Contract assets . . . . .				
Assets held for sale. . . . .				
Non-current assets due within one year. . . . .	V.9	31,853,472.12	56,339,216.01	91,717,414.84
Other current assets. . . . .	V.10	121,667,039.96	116,519,066.88	70,975,839.70
<b>Total current assets . . . . .</b>		<b>8,147,327,611.80</b>	<b>6,576,643,055.45</b>	<b>5,634,380,767.03</b>
Non-current assets:				
Loans and advances granted . . . . .				
Debt investments . . . . .				
Other debt investments . . . . .				
Long-term receivables . . . . .	V.11	11,129,273.70	22,505,559.29	41,895,323.86
Long-term equity investments . . . . .	V.12	1,071,749,553.79	838,561,720.42	516,122,947.37
Investments in other equity instruments. . . . .	V.13	1,509,640,296.41	1,652,066,405.57	1,574,745,261.29
Other non-current financial assets . . . . .	V.14	93,840,000.00	807,038,100.00	349,532,110.00
Investment properties. . . . .	V.15	317,595,880.00	292,645,190.34	137,855,964.68
Fixed assets. . . . .	V.16	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33
Construction in progress. . . . .	V.17	1,158,461,800.35	627,436,957.82	658,485,265.28
Productive biological assets . . . . .				
Oil and gas assets. . . . .				
Right-of-use assets . . . . .	V.18	189,321,935.56		
Intangible assets. . . . .	V.19	1,398,639,683.60	1,385,898,627.57	1,483,385,640.05
Development expenses. . . . .	V.20	711,493,159.25	513,728,450.25	525,430,241.72
Goodwill. . . . .	V.21	3,273,478,338.67	2,771,607,339.49	2,718,837,240.57
Long-term deferred expenses. . . . .	V.22	197,778,637.70	168,158,641.64	173,113,036.77
Deferred income tax assets . . . . .	V.23	137,554,855.18	180,128,018.93	144,369,542.62
Other non-current assets. . . . .	V.24	298,371,120.27	241,408,035.85	489,315,271.08
<b>Total non-current assets . . . . .</b>		<b>12,551,334,706.16</b>	<b>11,580,222,026.77</b>	<b>10,291,910,116.62</b>
<b>Total assets. . . . .</b>		<b>20,698,662,317.96</b>	<b>18,156,865,082.22</b>	<b>15,926,290,883.65</b>

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Liabilities and owners' equity	Note	2021.12.31	2020.12.31	2019.12.31
Current liabilities:				
Short-term borrowings . . . . .	V.25	583,919,755.30	1,901,893,572.82	1,464,038,209.73
Loans from central bank . . . . .				
Placements from banks and other financial institutions . . . .				
Financial liabilities				
held-for-trading . . . . .	V.26		329,740.12	
Derivative financial liabilities . . .				
Notes payable . . . . .	V.27	228,532,548.74	66,398,584.13	84,558,954.73
Accounts payable . . . . .	V.28	1,134,629,803.32	754,642,362.81	737,706,359.50
Advances from customers . . . . .	V.29			163,776,470.25
Contract liabilities . . . . .	V.30	353,961,526.94	269,212,492.11	
Securities sold under agreements to repurchase . . . . .				
Deposits from customers and inter banks . . . . .				
Receiving from vicariously traded securities . . . . .				
Receiving from vicariously sold securities . . . . .				
Employee benefits payable . . . . .	V.31	199,547,939.45	160,324,035.62	103,106,647.16
Taxes payable . . . . .	V.32	210,761,655.01	121,472,077.88	127,964,131.88
Other payables . . . . .	V.33	327,402,746.63	284,085,148.52	267,251,632.33
Fee and commission payable . . . .				
Reinsured accounts payable . . . .				
Liabilities held for sale . . . . .				
Non-current liabilities due within one year . . . . .	V.34	249,739,598.07	1,101,834,883.59	1,359,102,000.31
Other current liabilities . . . . .	V.35	43,833,317.73	151,713,170.60	802,998,904.11
<b>Total current liabilities . . . . .</b>		<b>3,332,328,891.19</b>	<b>4,811,906,068.20</b>	<b>5,110,503,310.00</b>
Non-current liabilities:				
Reserve fund for insurance contracts . . . . .				
Long-term borrowings . . . . .	V.36	1,209,505,484.75	1,115,216,273.83	2,457,980,000.00
Bonds payable . . . . .	V.37	2,673,396,874.29	1,218,633,729.61	
Including: Preference shares . . . .				
Perpetual bonds . . . . .				
Lease liabilities . . . . .	V.38	125,111,500.56		
Long-term payable . . . . .	V.39		3,663,119.05	10,320,465.41
Long-term employee benefits payable . . . . .				
Estimated liabilities . . . . .				
Deferred income . . . . .	V.40	140,026,782.82	145,808,359.54	135,437,717.14
Deferred income tax liabilities . . .	V.23	264,770,701.75	324,211,083.52	207,100,586.13
Other non-current liabilities . . . .	V.41	679,985,509.35		
<b>Total non-current liabilities . . . .</b>		<b>5,092,796,853.52</b>	<b>2,807,532,565.55</b>	<b>2,810,838,768.68</b>
<b>Total liabilities . . . . .</b>		<b>8,425,125,744.71</b>	<b>7,619,438,633.75</b>	<b>7,921,342,078.68</b>
Owners' equity:				
Share capital . . . . .	V.42	1,804,587,310.00	1,804,581,117.00	1,781,652,921.00
Other equity instruments . . . . .	V.43	214,766,365.30		
Including: Preference shares . . . .				
Perpetual bonds . . . . .				
Capital reserve . . . . .	V.44	983,705,934.14	959,178,574.08	2,085,985.80
Less: Treasury shares . . . . .	V.45	364,191,936.22	254,282,089.95	254,282,089.95
Other comprehensive income . . . .	V.46	128,902,935.45	37,457,150.30	113,176,177.79
Special reserve . . . . .				
Surplus reserve . . . . .	V.47	585,170,176.55	402,534,580.65	423,363,759.09
Provision for general risks . . . . .				
Retained earnings . . . . .	V.48	8,120,920,265.38	6,923,321,919.53	5,416,779,818.86
Total equity attributable to shareholders of the Company . . .		11,473,861,050.60	9,872,791,251.61	7,482,776,572.59
Non-controlling interests . . . . .		799,675,522.65	664,635,196.86	522,172,232.38
<b>Total equity . . . . .</b>		<b>12,273,536,573.25</b>	<b>10,537,426,448.47</b>	<b>8,004,948,804.97</b>
<b>Total liabilities and equity . . . .</b>		<b>20,698,662,317.96</b>	<b>18,156,865,082.22</b>	<b>15,926,290,883.65</b>

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Company's Balance Sheet (All amounts in RMB Yuan unless otherwise stated)

Assets	Note	2021.12.31	2020.12.31	2019.12.31
Current assets:				
Cash at bank and on hand . . . . .		1,001,509,986.73	677,961,996.33	632,821,655.21
Financial assets held-for-trading. .				
Derivative financial assets . . . . .				
Notes receivable . . . . .	XV.1	3,050,820.01		22,074,413.67
Accounts receivable . . . . .	XV.2	343,228,479.65	504,493,808.49	471,731,549.22
Receivable financing . . . . .	XV.3	4,024,270.06	15,087,148.18	
Prepayments . . . . .		60,855,894.42	43,609,124.03	26,827,775.91
Other receivables . . . . .	XV.4	729,429,377.06	692,122,367.48	1,819,638,345.45
Inventories . . . . .		240,998,491.74	202,385,433.51	160,499,676.24
Contract assets . . . . .				
Assets held for sale. . . . .				
Non-current assets due within one year. . . . .				
Other current assets. . . . .		945,122.02	26,825,598.73	1,365,974.85
<b>Total current assets</b> . . . . .		2,384,042,441.69	2,162,485,476.75	3,134,959,390.55
Non-current assets:				
Debt investments . . . . .				
Other debt investments . . . . .				
Long-term receivables . . . . .				
Long-term equity investments . . .	XV.5	9,263,375,632.84	9,029,084,617.74	7,299,830,955.53
Investments in other equity instruments. . . . .		864,934,804.50	1,026,903,243.11	856,593,362.92
Other non-current financial assets . . . . .		93,840,000.00	807,038,100.00	349,532,110.00
Investment properties. . . . .		44,221,277.73	46,349,835.85	32,522,249.05
Fixed assets. . . . .		355,710,242.41	372,312,559.02	336,891,191.20
Construction in progress. . . . .		15,656,621.52	20,746,280.54	13,487,121.74
Productive biological assets . . . .				
Oil and gas assets . . . . .				
Right-of-use assets . . . . .		10,833,025.13		
Intangible assets . . . . .		71,648,738.95	78,584,151.61	70,176,970.00
Development expenses . . . . .		135,087,802.38	96,629,071.10	84,913,951.63
Goodwill. . . . .				
Long-term deferred expenses. . . .		72,473,109.47	70,803,257.77	69,431,833.79
Deferred income tax assets . . . . .		51,889,967.70	76,642,888.24	54,849,011.85
Other non-current assets. . . . .		1,088,098,155.23	906,972,063.98	566,802,806.28
<b>Total non-current assets</b> . . . . .		12,067,769,377.86	12,532,066,068.96	9,735,031,563.99
<b>Total assets</b> . . . . .		14,451,811,819.55	14,694,551,545.71	12,869,990,954.54
Current liabilities:				
Short-term borrowings . . . . .		412,983,794.02	1,263,958,598.37	775,000,000.00

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

<b>Liabilities and owners' equity</b>	<i>Note</i>	<b>2021.12.31</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Financial liabilities				
held-for-trading . . . . .				
Derivative financial liabilities . . .				
Notes payable . . . . .				
Accounts payable . . . . .		70,970,087.03	58,483,925.57	56,194,252.06
Advances from customers . . . . .				45,360,778.64
Contract liabilities . . . . .		47,482,165.20	45,976,367.47	
Employee benefits payable . . . . .		37,713,780.61	23,940,628.75	20,069,821.67
Taxes payable . . . . .		47,548,039.98	11,255,077.53	25,534,417.00
Other payables . . . . .		785,381,961.21	2,356,302,128.32	1,235,631,801.73
Liabilities held for sale . . . . .				
Non-current liabilities due within				
one year . . . . .		189,681,125.49	1,091,750,000.00	1,274,892,119.87
Other current liabilities . . . . .		4,799,659.70	131,509,247.04	802,998,904.11
<b>Total current liabilities . . . . .</b>		<b>1,596,560,613.24</b>	<b>4,983,175,973.05</b>	<b>4,235,682,095.08</b>
Non-current liabilities:				
Long-term borrowings . . . . .		1,209,505,484.75	1,115,216,273.83	2,457,980,000.00
Bonds payable . . . . .		2,673,396,874.29	1,218,633,729.61	
Including: Preference shares . . . .				
Perpetual bonds . . . . .				
Lease liabilities . . . . .		5,499,073.48		
Long-term payable . . . . .				
Long-term employee benefits				
payable . . . . .				
Estimated liabilities . . . . .				
Deferred income . . . . .		16,986,345.19	20,372,350.67	15,966,666.67
Deferred income tax liabilities . . .		27,082,481.39	113,495,353.70	42,631,941.45
Other non-current liabilities . . . .				
<b>Total non-current liabilities . . . .</b>		<b>3,932,470,259.10</b>	<b>2,467,717,707.81</b>	<b>2,516,578,608.12</b>
<b>Total liabilities . . . . .</b>		<b>5,529,030,872.34</b>	<b>7,450,893,680.86</b>	<b>6,752,260,703.20</b>
Owners' equity:				
Share capital . . . . .		1,804,587,310.00	1,804,581,117.00	1,781,652,921.00
Other equity instruments . . . . .		214,766,365.30		
Including: Preference shares . . . .				
Perpetual bonds . . . . .				
Capital reserve . . . . .		2,561,836,944.62	2,486,335,584.16	1,687,850,322.48
Less: Treasury shares . . . . .		364,191,936.22	254,282,089.95	254,282,089.95
Other comprehensive income . . . .		65,171,925.73		
Special reserve . . . . .				
Surplus reserve . . . . .		709,594,539.06	526,958,943.16	461,459,391.54
Retained earnings . . . . .		3,931,015,798.72	2,680,064,310.48	2,441,049,706.27
<b>Total equity . . . . .</b>		<b>8,922,780,947.21</b>	<b>7,243,657,864.85</b>	<b>6,117,730,251.34</b>
<b>Total liabilities and equity . . . . .</b>		<b>14,451,811,819.55</b>	<b>14,694,551,545.71</b>	<b>12,869,990,954.54</b>

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Consolidated Income Statement (All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021	2020	2019
I. Total operating revenue. . . . .	V.49	10,659,734,875.07	8,038,667,540.97	7,795,529,386.34
Including: Operating revenue . . .		10,659,734,875.07	8,038,667,540.97	7,795,529,386.34
Interest income. . . . .				
Premium earned . . . . .				
Income for handling charges and commissions . . . . .				
II. Total operating cost. . . . .		8,207,652,668.99	6,192,510,207.79	5,842,886,015.48
Including: Operating cost . . . . .	V.49	4,156,636,959.74	2,653,773,898.42	2,165,195,359.98
Interest expenses . . . . .				
Handling charges and commissions . . . . .				
Refunded premiums. . . . .				
Net amount of compensation payout. . . . .				
Net amount withdrawn for insurance contract reserves . . .				
Policy dividend expense. . . . .				
Reinsured expenses . . . . .				
Taxes and surcharges. . . . .	V.50	113,779,694.00	90,478,392.08	96,230,151.98
Selling expenses . . . . .	V.51	2,109,190,634.47	1,838,782,678.99	2,171,677,428.76
Administrative expenses. . . . .	V.52	748,343,631.51	606,675,873.43	585,996,118.86
Research and development expenses . . . . .	V.53	907,941,337.65	736,134,170.12	543,913,939.52
Financial expenses . . . . .	V.54	171,760,411.62	266,665,194.75	279,873,016.38
Including: Interest expenses . . . .		228,486,195.36	268,918,253.85	321,704,202.89
Interest income . . . . .		57,585,210.52	43,160,025.55	44,351,724.18
Add: Other income . . . . .	V.55	79,518,644.90	61,187,318.30	27,861,314.93
Investment income (loss expressed with "-"). . . . .	V.56	-396,883,394.79	-153,798,876.33	195,060,593.01
Including: Income from investment in associates and joint ventures . . . . .		-152,253,735.93	-142,769,061.70	-77,208,050.45
Gains from derecognition of financial assets measured at amortised cost. . . . .				
Exchange gain (loss expressed with "-") . . . . .				
Net exposure hedging benefits (loss expressed with "-"). . . . .				
Gains from change in fair value (loss expressed with "-"). . . . .	V.57	29,340,000.00	451,858,030.70	161,983,110.00
Loss on impairment of credit (loss expressed with "-"). . . . .	V.58	-29,907,564.58	-37,536,848.69	-174,391,905.40
Loss on impairment of assets (loss expressed with "-"). . . . .	V.59	-9,448,114.80	-20,977,602.04	-206,023,971.10
Gains from disposal of asset (loss expressed with "-"). . . . .	V.60	19,900,661.89	2,288,329.64	4,119,193.02
III. Operating profit (loss expressed with "-"). . . . .		2,144,602,438.70	2,149,177,684.76	1,961,251,705.32



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Item	Note	2021	2020	2019
Add: Non-operating revenue . . . .	V.61	63,653,152.61	72,822,125.34	106,861,977.13
Less: Non-operating expenses . . .	V.62	62,103,610.25	18,686,620.19	4,858,128.33
IV. Total profit before tax (total loss expressed with “-”) . . . . .		2,146,151,981.06	2,203,313,189.91	2,063,255,554.12
Less: Income tax expense . . . . .	V.63	365,733,333.63	326,234,622.72	339,463,834.24
V. Net profit (net loss expressed with “-”) . . . . .		1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
(I) Classified by continuity of operations . . . . .				
1. Net profit from continuing operations (net loss expressed with “-”) . . . . .		1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
2. Net profit from discontinued operations (net loss expressed with “-”) . . . . .				
(II) Classified by ownership . . . .				
1. Net profit attributable to shareholders of the Company (net loss expressed with “-”) . .		1,719,324,578.02	1,801,932,532.92	1,725,306,191.17
2. Net profit attributable to non-controlling interests (net loss expressed with “-”) . . . . .		61,094,069.41	75,146,034.27	-1,514,471.29
VI. Net other comprehensive income after tax . . . . .		169,088,418.98	123,861,616.72	7,339,630.98
Net other comprehensive income after tax attributable to shareholders of the Company . .		160,971,791.96	48,240,119.88	-15,233,247.67
(I) Other comprehensive income that will not be subsequently reclassified to profit or loss . . .		188,125,333.50	100,384,363.59	-29,013,429.08
1. Change in remeasurement of defined benefit plans . . . . .				
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss . . .				
3. Change in fair value of investments in other equity instruments . . . . .		188,125,333.50	100,384,363.59	-29,013,429.08
4. Changes in fair value of other equity instrument investments . .				
(II) Other comprehensive income that will be subsequently reclassified to profit or loss . . . . .		-27,153,541.54	-52,144,243.71	13,780,181.41
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss . . .		-1,940.44		
2. Change in fair value of other debt investments . . . . .				

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Note	2021	2020	2019
3. Amount of financial assets reclassified into other comprehensive income . . . . .				
4. Provision for credit impairment of other debt investments . . . .				
5. Cash flow hedging reserve . . .				
6. Exchange differences arising from translation of foreign currency financial statements . .		-27,151,601.10	-52,144,243.71	13,780,181.41
7. Others . . . . .				
Net other comprehensive income attributable to non-controlling interests after tax . . . . .		8,116,627.02	75,621,496.84	22,572,878.65
VII. Total comprehensive income . . . . .		1,949,507,066.41	2,000,940,183.91	1,731,131,350.86
Total comprehensive income attributable to shareholders of the Company . . . . .		1,880,296,369.98	1,850,172,652.80	1,710,072,943.50
Total comprehensive income attributable to non-controlling interests . . . . .		69,210,696.43	150,767,531.11	21,058,407.36
VIII. Earnings per share:				
(I) Basic earnings per share (RMB/share) . . . . .		0.9596	1.0141	0.9746
(II) Diluted earnings per share (RMB/share) . . . . .		0.9510	1.0141	0.9746
Legal Representative: Pu Zhongjie	Chief Financial Officer: Wang Yong	Accounting Manager: Li Yun		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Company's Income Statement (All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021	2020	2019
I. Operating revenue . . . . .	XV.6	1,211,444,098.16	1,215,169,432.26	1,605,369,505.29
Less: Operating cost . . . . .	XV.6	433,464,850.28	423,433,037.63	294,332,240.47
Taxes and surcharges . . . . .		15,963,789.94	15,975,808.69	21,438,021.28
Selling expenses . . . . .		237,514,057.42	260,139,633.56	275,359,720.80
Administrative expenses . . . . .		201,190,241.91	179,983,564.34	158,427,904.71
Research and development expenses . . . . .		193,800,232.29	137,197,866.66	166,962,565.63
Financial expenses . . . . .		195,025,100.48	268,546,551.87	286,519,190.48
Including: Interest expenses . . . .		244,090,531.96	303,776,144.84	336,234,924.04
Interest income . . . . .		54,576,575.25	56,127,912.67	52,391,888.27
Add: Other income . . . . .		9,759,241.16	4,880,086.26	4,972,533.83
Investment income (loss expressed with "-") . . . .	XV.7	1,811,811,122.25	350,968,837.84	290,634,653.73
Including: Income from investment in associates and joint ventures . . . . .		-144,846,560.15	-142,010,771.91	-73,706,711.22
Gains from derecognition of financial assets measured at amortised cost . . . . .				
Net exposure hedging benefits (loss expressed with "-") . . . .				
Gains from change in fair value (loss expressed with "-") . . . .		29,340,000.00	451,005,990.00	161,983,110.00
Loss on impairment of credit (loss expressed with "-") . . . .		-2,123,514.02	-14,198,359.73	-137,473,964.75
Loss on impairment of assets (loss expressed with "-") . . . .		-5,910,972.78		-65,337,468.66
Gains from disposal of assets (loss expressed with "-") . . . .			7,263.78	83,800,592.08
II. Operating profit (Loss expressed with "-") . . . . .		1,777,361,702.45	722,556,787.66	740,909,318.15
Add: Non-operating income . . . .		94,248.40	548,406.37	583,564.17
Less: Non-operating expenses . . . .		3,179,086.25	2,272,550.32	1,411,804.27
III. Total profit before tax (loss expressed with "-") . . . .		1,774,276,864.60	720,832,643.71	740,081,078.05
Less: Income tax expense . . . . .		-52,079,094.44	65,837,127.56	63,010,984.95
IV. Net profit (Net loss expressed with "-") . . . . .		1,826,355,959.04	654,995,516.15	677,070,093.10
(I) Net profit from continuing operations (net loss expressed with "-") . . . . .		1,826,355,959.04	654,995,516.15	677,070,093.10
(II) Net profit from discontinued operations (net loss expressed with "-") . . . . .				
V. Net other comprehensive income after tax attributable to shareholders of the company . .		81,019,693.91	3,368,667.68	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Note	2021	2020	2019
(I) Other comprehensive incomes that will not be reclassified into profit or loss . . . . .		81,021,634.35	3,368,667.68	
1. Change in remeasurement of defined benefit plans . . . . .				
2. Share of other comprehensive income accounted for using equity method that will not be reclassified to profit or loss . .				
3. Change in fair value of investments in other equity instruments . . . . .		81,021,634.35	3,368,667.68	
4. Change in fair value of credit risks of own credit risks . . . .				
(II) Other comprehensive income that will be subsequently reclassified to profit or loss . . .		-1,940.44		
1. Share of other comprehensive income accounted for using equity method that will be reclassified to profit or loss . . .		-1,940.44		
2. Change in fair value of other debt investment . . . . .				
3. Amount of financial assets reclassified into other comprehensive income . . . . .				
4. Provision of credit impairment of other debt investments . . . .				
5. Cash flow hedging reserve . . .				
6. Exchange differences arising from translation of foreign currency financial statements . .				
7. Others . . . . .				
VI. Total comprehensive income .		1,907,375,652.95	658,364,183.83	677,070,093.10
VII. Earnings per share:				
(I) Basic earnings per share . . . .				
(II) Diluted earnings per share . . .				

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Consolidated Statement of Cash Flows (All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021	2020	2019
<b>I. Cash flows from operating activities:</b>				
Cash received from sale of goods or rendering of services . . . . .		11,490,798,837.57	8,681,615,842.06	8,046,634,961.15
Net increase in deposit from customer and due from bank and other financial institutions .				
Net increase in borrowings from central bank . . . . .				
Net increase in borrowings from other financial institutions . . . .				
Cash received from premium income from direct insurance contracts . . . . .				
Net cash received from reinsurance business . . . . .				
Net increase in policyholders' deposits and investments contract liabilities . . . . .				
Cash received from interests, handling charges and commissions . . . . .				
Net increase in loans from other banks and other financial institutions . . . . .				
Net increase in repurchase business . . . . .				
Net cash received from agency purchases and sales of securities . . . . .				
Cash received from tax refund. . .		254,636,208.28	161,410,750.89	84,660,776.65
Cash received relating to other operating activities . . . . .		170,426,947.19	174,536,481.03	163,619,809.26
Sub-total of cash inflows from operating activities . . . . .	V.64	11,915,861,993.04	9,017,563,073.98	8,294,915,547.06
Cash paid for goods and services . . . . .		3,709,334,148.82	2,315,579,735.23	1,749,027,449.20
Net increase in loans and advances to customers . . . . .				
Net increase in central bank and interbank deposits . . . . .				
Cash paid for claims of direct insurance contracts . . . . .				
Net increase in lending funds . . .				
Cash paid for interests, handling charges and commissions. . . . .				
Cash paid for the policy dividends . . . . .				
Cash paid to and on behalf of employees . . . . .		1,841,263,775.09	1,397,158,931.04	1,211,823,860.73
Payments of taxes and surcharges		979,847,523.70	993,280,272.42	1,068,837,243.89
Cash paid relating to other operating activities . . . . .	V.64	2,323,424,693.72	2,221,844,830.40	2,274,971,929.75
Sub-total of cash outflows from operating activities . . . . .		8,853,870,141.33	6,927,863,769.09	6,304,660,483.57

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Note	2021	2020	2019
<b>Net cash flows from operating activities</b> . . . . .		3,061,991,851.71	2,089,699,304.89	1,990,255,063.49
<b>II. Cash flows from investing activities:</b>				
Cash received from disposal of investments . . . . .		280,258,031.88	186,895,912.32	455,656,192.12
Cash received from investment income . . . . .		533,267,218.26	184,623,548.18	221,604,739.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets . . . . .		2,085,938.02	44,659,508.51	6,991,052.68
Net cash received from the disposal of subsidiaries and other business entities. . . . .		152,601.60	3,254,586.40	
Cash received relating to other investing activities . . . . .	V.64	191,981,098.59	475,299,604.11	5,978,333.33
Sub-total of cash inflows from investing activities . . . . .		1,007,744,888.35	894,733,159.52	690,230,317.51
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets. . . . .		984,395,333.19	600,146,740.76	563,112,957.73
Cash paid for investments. . . . .		171,080,114.83	482,124,554.71	404,172,034.02
Net increase in pledged loans . . .				
Net cash paid for acquisition of subsidiaries and other business units . . . . .		453,005,901.62	112,941,606.52	240,895,233.88
Cash paid relating to other investing activities . . . . .	V.64	259,728,283.53	394,972,978.00	133,268,812.78
Sub-total of cash outflows from investing activities . . . . .		1,868,209,633.17	1,590,185,879.99	1,341,449,038.41
<b>Net cash flows from investing activities</b> . . . . .		-860,464,744.82	-695,452,720.47	-651,218,720.90
<b>III. Cash flows from financing activities:</b>				
Cash received from capital contributions. . . . .		51,584,210.16	56,889,720.00	3,054,994.80
Including: Cash received by subsidiaries from receiving investments made by minority interest . . . . .		51,584,210.16	56,889,720.00	3,054,994.80
Cash received from borrowings . .		3,745,333,033.33	4,699,360,517.78	3,586,194,944.44
Cash received relating to other financing activities . . . . .	V.64	619,740,000.00	256,946,722.49	87,199,277.48
Sub-total of cash inflows from financing activities. . . . .		4,416,657,243.49	5,013,196,960.27	3,676,449,216.72
Cash repayment of borrowings . .		4,258,985,903.55	4,798,273,279.17	4,123,488,738.72
Cash payments for distribution of dividends profits or interest expenses . . . . .		636,041,211.20	642,943,457.60	668,789,141.29
Including: Dividends and profits paid by subsidiaries to non-controlling interests . . . . .		48,998,909.59	44,540,981.04	29,605,370.16
Cash payments for other financing activities . . . . .	V.64	419,036,019.36	335,416,544.41	433,022,016.45
Sub-total of cash outflows from financing activities. . . . .		5,314,063,134.11	5,776,633,281.18	5,225,299,896.46
<b>Net cash flows from financing activities</b> . . . . .		-897,405,890.62	-763,436,320.91	-1,548,850,679.74

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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Item	Note	2021	2020	2019
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents . . . . .</b>		-11,314,831.22	-31,232,841.02	4,391,743.40
<b>V. Net increase in cash and cash equivalents . . . . .</b>		1,292,806,385.05	599,577,422.49	-205,422,593.75
Add: Beginning balance of cash and cash equivalents. . . . .		2,391,237,259.98	1,791,659,837.49	1,997,082,431.24
<b>VI. Ending balance of cash and cash equivalents . . . . .</b>		3,684,043,645.03	2,391,237,259.98	1,791,659,837.49

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Company's Statement of Cash Flows (All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021	2020	2019
<b>I. Cash flows from operating activities:</b>				
Cash received from sale of goods or rendering of services . . . . .		1,285,482,388.63	1,388,570,383.14	1,739,497,303.61
Cash received from tax refund. . .		246,653.35	885,795.36	2,262.13
Cash received relating to other operating activities. . . . .		52,444,171.76	48,444,790.77	28,527,949.15
Sub-total of cash inflows from operating activities. . . . .		1,338,173,213.74	1,437,900,969.27	1,768,027,514.89
Cash paid for goods and services . . . . .		258,958,674.15	338,903,120.97	224,727,440.34
Cash paid to and on behalf of employees . . . . .		496,027,593.28	400,593,518.50	348,004,582.32
Payments of tax and surcharges . .		76,128,368.68	134,929,163.29	236,757,824.58
Cash paid relating to other operating activities. . . . .		296,030,414.11	327,909,412.25	331,492,965.10
Sub-total of cash outflows from operating activities. . . . .		1,127,145,050.22	1,202,335,215.01	1,140,982,812.34
<b>Net cash flows from operating activities . . . . .</b>		<b>211,028,163.52</b>	<b>235,565,754.26</b>	<b>627,044,702.55</b>
<b>II. Cash flows from investing activities:</b>				
Cash received from disposal of investments . . . . .		227,457,709.68	730,119.81	303,605,324.08
Cash received from investment income . . . . .		1,526,495,610.42	488,452,025.25	418,410,892.99
Net cash received from disposal of fixed assets, intangible assets and other long-term assets . . . . .		8,190,545.40	103,325.93	1,478,907.53
Net cash received from disposal of subsidiaries and other business units . . . . .		584,200,000.00	5,895,200.00	
Cash received relating to other investing activities . . . . .		66,915,493.17	1,365,448,112.20	5,978,333.33
Sub-total of cash inflows from investing activities. . . . .		2,413,259,358.67	1,860,628,783.19	729,473,457.93
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets. . . . .		81,666,857.93	56,149,132.61	96,711,613.38
Cash paid for investments. . . . .		274,936,871.79	1,287,238,602.36	296,021,547.35
Net cash paid for acquisition of subsidiaries and other business units . . . . .		1,061,635,658.98	125,614,430.00	321,894,162.08
Cash paid relating to other investing activities . . . . .		140,000,000.00	72,548,017.88	132,268,812.78
Sub-total of cash outflows from investing activities. . . . .		1,558,239,388.70	1,541,550,182.85	846,896,135.59
<b>Net cash flows from investing activities . . . . .</b>		<b>855,019,969.97</b>	<b>319,078,600.34</b>	<b>-117,422,677.66</b>



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Note	2021	2020	2019
<b>III. Cash flows from financing activities:</b>				
Cash received from receiving investments . . . . .				
Cash received from borrowings obtained. . . . .		3,395,959,700.00	3,958,052,503.55	2,871,430,000.00
Cash received relating to other financing activities . . . . .			109,000,000.00	551,799,555.46
Sub-total of cash inflows from financing activities. . . . .		3,395,959,700.00	4,067,052,503.55	3,423,229,555.46
Cash paid for repayment of debts. . . . .		3,432,575,903.55	3,865,480,000.00	3,400,500,000.00
Cash paid for dividends, profit distribution or interest expenses . . . . .		578,728,101.16	577,524,158.95	612,439,055.78
Cash paid relating to other financing activities . . . . .		122,018,435.54	130,948,017.88	165,256,298.88
Sub-total of cash outflows from financing activities. . . . .		4,133,322,440.25	4,573,952,176.83	4,178,195,354.66
<b>Net cash flows from financing activities . . . . .</b>		<b>-737,362,740.25</b>	<b>-506,899,673.28</b>	<b>-754,965,799.20</b>
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents . . . . .</b>		<b>-2,601,051.82</b>	<b>-5,616,056.12</b>	<b>1,995,887.55</b>
<b>V. Net increase in cash and cash equivalents . . . . .</b>		<b>326,084,341.42</b>	<b>42,128,625.20</b>	<b>-243,347,886.76</b>
Add: Beginning balance of cash and cash equivalents. . . . .		674,950,280.41	632,821,655.21	876,169,541.97
<b>VI. Ending balance of cash and cash equivalents . . . . .</b>		<b>1,001,034,621.83</b>	<b>674,950,280.41</b>	<b>632,821,655.21</b>

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

**Lepu Medical Technology (Beijing) Co., Ltd**  
**Consolidated Statement of Changes in Owners' Equity**  
**(All amounts in RMB Yuan unless otherwise stated)**

Equity attributable to shareholders of the Company

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# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2021

Item	Equity attributable to shareholders of the Company									
	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained earnings
	Share capital	Preference shares	Perpetual bonds	Others						
(IV) Transfer within owners' equity . . . . .										
1. Capitalization of capital reserve (or share capital) . . .										
2. Capitalization of surplus reserve (or share capital) . . .										
3. Loss offset by surplus reserve . . . . .										
4. Transfer to retained earnings arising from change in defined benefit plans . . . . .										
5. Transfer from other comprehensive income to retained earnings . . . . .										
6. Others . . . . .						-69,526,006.81				69,526,006.81
(V) Special reserve . . . . .										
1. Transfer in the year . . . . .										
2. Utilisation in the year . . . . .										
(VI) Others . . . . .										
IV. Ending balance of the year . . . . .	1,804,587,310.00			214,766,365.30	983,705,934.14	364,191,936.22	128,902,935.45	585,170,176.55		8,120,920,265.38
					56,049,143.48					56,049,143.48
										56,049,143.48
										12,273,536,573.25

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2020									
Item	Equity attributable to shareholders of the Company								
	Other equity instruments				Other				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve
I. Ending balance of last year . . . . .	1,781,652,921.00				2,085,985.80	254,282,089.95	113,176,177.79		423,363,759.09
Add: Changes in accounting policies . . . . .									
Correction of previous errors . . . . .									
Business combination under common control . . . . .									
Others . . . . .									
II. Beginning balance of the year . . . . .	1,781,652,921.00				2,085,985.80	254,282,089.95	113,176,177.79		423,363,759.09
III. Increase/decrease for the year (Decrease expressed with “-”) . . . . .	22,928,196.00				957,092,588.28		-75,719,027.49		-20,829,178.44
(1) Total comprehensive income . . . . .							48,240,119.88		-86,328,730.06
(II) Capital paid in and reduced by shareholders . . . . .	22,928,196.00				736,534,805.97				
1. Ordinary shares paid by shareholders . . . . .									
2. Capital paid by holders of other equity instruments . . . . .	22,928,196.00				723,171,719.31				
3. Amount of share-based payments recognized in owners' equity . . . . .					976,675.62				
4. Others . . . . .					12,386,411.04				
(III) Profit distribution . . . . .									
1. Transfer to surplus reserve . . . . .									
2. Transfer to provision for general risks . . . . .									
3. Distribution to owners (or shareholders) . . . . .									
4. Others . . . . .									
Sub-total									
Minority interests									
Total equity									

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

	<b>Equity attributable to shareholders of the Company</b>							
	<b>Other equity instruments</b>			<b>Less: Treasury shares</b>				
<b>Item</b>	<b>Preference shares</b>	<b>Perpetual bonds</b>	<b>Others</b>	<b>Capital reserve</b>	<b>Special reserve</b>	<b>Surplus reserve</b>	<b>Provision for general risks</b>	<b>Total equity</b>
(IV) Transfer within owners' equity . . . . .					-123,959,147.37			123,959,147.37
1. Capitalization of capital reserve (or share capital) . . .								
2. Capitalization of surplus reserve (or share capital) . . .								
3. Loss offset by surplus reserve . . . . .								
4. Transfer to retained earnings arising from change in defined benefit plans . . .								
5. Transfer from other comprehensive income to retained earnings . . . . .					-123,959,147.37			123,959,147.37
6. Others . . . . .								
(V) Special reserve . . . . .								
1. Transfer in the year . . . .								
2. Utilisation in the year . . .								
(VI) Others . . . . .				220,557,782.31				220,557,782.31
IV Ending balance of the year . . . . .				959,178,574.08	254,282,089.95	37,457,150.30	402,534,580.65	6,923,321,919.53     10,537,426,448.47

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

2019									
Equity attributable to shareholders of the Company									
Item	Other equity instruments				Other				
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve
I. Ending balance of last year . . . . .	1,781,652,921.00				90,674,278.38	95,995,791.07	347,205,910.69		393,752,382.23
Add: Changes in accounting policies . . . . .									
Correction of previous errors . . . . .									
Business combination under common control . . . . .							-187,000,000.00		
Others . . . . .									
II. Beginning balance of the year . . . . .	1,781,652,921.00				90,674,278.38	95,995,791.07	155,205,910.69		393,752,382.23
III. Increase/decrease for the year (Decrease expressed with "+") . . . . .					-88,588,292.58	158,286,298.88	-47,029,732.90		29,611,376.86
(I) Total comprehensive income . . . . .							-15,233,247.67		-38,095,632.45
(II) Capital paid in and reduced by shareholders . . . . .					-88,588,292.58	158,286,298.88			
1. Ordinary shares paid by shareholders . . . . .									
2. Capital paid by holders of other equity instruments . . . . .									
3. Amount of share-based payments recognized in owners' equity . . . . .									
4. Others . . . . .					-88,588,292.58	158,286,298.88			
(III) Profit distribution . . . . .									
1. Transfer to surplus reserve . . . . .									
2. Transfer to provision for general risks . . . . .									
3. Distribution to owners (or shareholders) . . . . .									
4. Others . . . . .									

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Wang Yong

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Lepu Medical Technology (Beijing) Co., Ltd Company's Statement of Changes in Owners' Equity (All amounts in RMB Yuan unless otherwise stated)

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	Capital reserve							
I. Ending balance of last year . . . . .	1,804,581,117.00				2,486,335,584.16		254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
Add: Changes in accounting policies . . . . .												
Correction of previous errors . . . . .												
Others . . . . .												
II. Beginning balance of the year . . . . .	1,804,581,117.00				2,486,335,584.16		254,282,089.95			526,958,943.16	2,680,064,310.48	7,243,657,864.85
Increase/decrease for the year												
(Decrease expressed with "-") . . . . .	6,193.00			214,766,365.30	75,501,360.46		109,909,846.27	65,171,925.73		182,635,595.90	1,250,951,488.24	1,679,123,082.36
(I) Total comprehensive income . . . . .								81,021,634.35			1,826,355,959.04	1,907,377,593.39
(II) Capital paid in and reduced by shareholders . . . . .	6,193.00			214,766,365.30	19,452,216.98		109,909,846.27					124,314,929.01
1. Ordinary shares paid by shareholders . . . . .												
2. Capital paid by holders of other equity instruments . . . . .	6,193.00			214,790,321.83	175,754.15							214,972,268.98
3. Amount of share-based payments recognized in owners' equity . . . . .												
4. Others . . . . .				-23,956.53	19,276,462.83		109,909,846.27			182,635,595.90	-591,252,238.98	19,276,462.83
(III) Profit distribution . . . . .										182,635,595.90	-591,252,238.98	-109,933,802.80
1. Transfer to surplus reserve . . . . .										182,635,595.90	-182,635,595.90	-408,616,643.08
2. Distribution to owners (or shareholders) . . . . .											-408,616,643.08	-408,616,643.08
3. Others . . . . .											15,847,768.18	
(IV) Transfer within owners' equity . . . . .								-15,847,768.18				
1. Capitalization of capital reserve (or share capital) . . . . .												
2. Capitalization of surplus reserve (or share capital) . . . . .												
3. Loss offset by surplus reserve . . . . .												
4. Transfer to retained earnings arising from change in defined benefit plans . . . . .												
5. Transfer from other comprehensive income to retained earnings . . . . .								-15,847,768.18			15,847,768.18	
6. Others . . . . .												



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	2021						
	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve
	Share capital	Preference shares	Perpetual bonds	Others			
(V) Special reserve . . . . .							
1. Transfer in the year . . . . .							
2. Utilisation in the year . . . . .							
(VI) Others . . . . .							
IV. Ending balance of the year . . . . .	1,804,587,310.00			214,766,365.30	56,049,143.48 2,561,836,944.62	-1,940.44 65,171,925.73	709,594,539.06 3,931,015,798.72
					364,191,936.22		8,922,780,947.21
							56,047,203.04

Legal Representative:  
 Pu Zhongjie

Chief Financial Officer:  
 Wang Yong

Accounting Manager:  
 Li Yun

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	2020						
	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve
	Share capital	Preference shares	Perpetual bonds	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				202,516,212.09 2,486,335,584.16	254,282,089.95	527,295,809.92

<b>Legal Representative:</b> <b>Pu Zhongjie</b>	<b>Chief Financial Officer:</b> <b>Wang Yong</b>
<b>Accounting Manager:</b> <b>Li Yun</b>	

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# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2019											
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	Capital reserve						
(V) Special reserve . . . . .											
1. Transfer in the year . . . . .											
2. Utilisation in the year . . . . .											
(VI) Others . . . . .											
IV. Ending balance of the year . . . . .	1,781,652,921.00				1,687,850,322.48	254,282,089.95			461,459,391.54	2,441,049,706.27	6,117,730,251.34
Legal Representative:						Chief Financial Officer:			Accounting Manager:		
Pu Zhongjie						Wang Yong			Li Yun		

Legal Representative:  
Pu Zhongjie

Chief Financial Officer:  
Wang Yong

Accounting Manager:  
Li Yun

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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**Lepu Medical Technology (Beijing) Co., Ltd**  
**Notes to the Financial Statements**  
**(All amounts in RMB Yuan unless otherwise stated)**

### **I. Basic Information of the Company**

#### ***(1) General***

Lepu Medical Technology (Beijing) Co., Ltd (the “Company”), formerly known as Beijing Lepu Medical Instrument Co., Ltd, was established on 11 June 1999 with the approval from Beijing Municipal Administrative Bureau for Industry and Commerce. The registered share capital of the Company was RMB12.60 million then with Luoyang Ship Material Research Institute contributing the capital in cash of RMB8.82 million and WP Medical Technologies, Inc (hereinafter referred to as the “US WP”) contributing the capital in technology of RMB3.78 million. The aforementioned paid-in capital was verified by Beijing Yanping CPA Co., Ltd. who issued the verification report numbered Yankuaikeyanzi (2000) No. 018.

As at 31 December 2021, the Company has cumulatively issued 1,804,587,310.00 shares with a registered share capital of RMB1,804,581,117.

Social credit code: 911100007000084768

Registered address: No. 37 Chaoqian Road, Changping District, Beijing

Legal representative: Mr. Pu Zhongjie

Scope of business: Production and sales of medical equipment and accessories; Technical development of medical instruments and accessories; Provide technical consulting services for self-produced products; Import and export of the above products; Technology import and export; Commission agent (excluding auction, commodities involving quota license management and special regulation management shall be handled according to relevant state regulations). (Market subjects independently choose business projects and carry out business activities according to law; For projects subject to approval according to law, business activities shall be carried out according to the approved contents after approval by relevant departments; Shall not engage in the business activities of the projects prohibited or restricted by the industrial policies of the State and this municipality).

The financial statements have been approved by the board of Directors of the Company on 15 September 2022.

#### ***(2) Scope of the consolidated financial statements***

For information on subsidiaries of the Company, please refer to Note “VII. Equity in other entities”.

For details of changes in scope of the consolidated financial statements during the reporting periods, please refer to Note “VI. Changes in the Scope of Consolidation”.

### II. Basis of Preparation for the Financial Statements

#### (1) *Basis of preparation*

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises—Basic Standards* and other various accounting standards, Application Guideline of the Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as the “Accounting Standards for Business Enterprises”), as well as *No. 15 of Regulations on Information Disclosures of Companies that Issue Public Offering Shares—General Rules of Preparing Financial Reports* issued by China Securities Regulatory Commission (CSRC).

*Standard adopted for the first time for 2019*

- (1) Implementation of *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No. 23—Transfer of Financial Assets*, *Accounting Standard for Business Enterprises No. 24—Hedge Accounting* and *Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instruments (2017 Revision)* (hereinafter collectively referred to as the “New Financial Instrument Standards”).

In 2017, the Ministry of Finance revised *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24—Hedge Accounting* and *Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments*. The revised standards stipulate that for financial instruments whose recognition has not been terminated on the first implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised standards, retroactive adjustment shall be made. If the data in the earlier comparative financial statements are inconsistent with the requirements of the revised standards, no adjustment is required.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The Company has implemented the New Financial Instrument Standards since 1 January 2019, adjusting retained earnings and other comprehensive income at the beginning of 2019 for the cumulative impact of retroactive adjustments. The main implications of the implementation of the New Financial Instrument Standards are as follows:

The content and reason of changes of accounting policy	Approval procedures	Affected report item name and amount	
		Consolidated	Company
(1) Investment in equity instruments available for sale is reclassified as "Financial assets at fair value through profit or loss". . . . .	Approved by the Board of Directors	Financial assets available for sale: decreased by RMB418,000,000.00; Other non-current financial assets: increased by RMB418,000,000.00; Other comprehensive income: decreased by RMB187,000,000.00; Retained earnings: increased by RMB187,000,000.00.	Financial assets available for sale: decreased by RMB418,000,000.00; Other non-current financial assets: increased by RMB418,000,000.00; Other comprehensive income: decreased by RMB187,000,000.00; Retained earnings: increased by RMB187,000,000.00.
(2) Non-tradable equity instrument investments available for sale are designated as "financial assets measured at fair value through other comprehensive income" . . . . .	Approved by the Board of Directors	Financial assets available for sale: decreased by RMB1,547,263,090.86; Investment in other equity instruments: increased by RMB1,547,263,090.86.	Financial assets available for sale: decreased by RMB836,000,000.00; Investment in other equity instruments: increased by RMB836,000,000.00.
(3) Part of "notes receivable" are reclassified to "financial assets measured at fair value through other comprehensive income" . . . . .	Approved by the Board of Directors	Bills receivable: decreased by RMB88,370,029.02; Financing receivable: increased by RMB88,370,029.02.	



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Based on the balance at the end of last year after adjustment in accordance with the provisions of Cai Kuai [2019] No.6 and Cai Kuai [2019] No.16, the classification and measurement results of various financial assets and financial liabilities in accordance with the provisions of the financial instrument recognition measurement standards before and after the revision are compared as follows:

### Consolidated

Original Financial Instruments Standards			New Financial Instrument Standards		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Cash at bank and on hand . . . . .	amortized cost	2,220,455,723.46	Cash at bank and on hand	amortized cost	2,220,455,723.46
Bills receivable . . .	amortized cost	143,196,367.64	Bills receivable	amortized cost	54,826,338.62
			Financing receivable	“financial assets measured at fair value through other comprehensive income	88,370,029.02
Account receivable . .	amortized cost	1,954,917,514.94	Account receivable	amortized cost	1,954,917,514.94
			Financing receivable	“financial assets measured at fair value through other comprehensive income	
Other receivables . . .	amortized cost	208,596,479.37	Other receivables	amortized cost	208,596,479.37
Available-for-sale financial assets . . .	measured at fair value through other comprehensive income (Equity instruments)	770,623,070.72	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		418,000,000.00
			Investment in other equity instruments	“financial assets measured at fair value through other comprehensive income	352,623,070.72
	measured at cost (Equity instruments)	1,194,640,020.14	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		
			Investment in other equity instruments	“financial assets measured at fair value through other comprehensive income	1,194,640,020.14
Long-term receivables . . . . .	amortized cost	62,688,142.91	Long-term receivables	amortized cost	62,688,142.91

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Company

Original Financial Instruments Standards			New Financial Instrument Standards		
Item	Measurement category	Carrying value	Item	Measurement category	Carrying value
Cash at bank and on hand . . . . .	amortized cost	876,169,541.97	Cash at bank and on hand	amortized cost	876,169,541.97
Bills receivable . . .	amortized cost	28,263,080.11	Bills receivable	amortized cost	28,263,080.11
			Financing receivable	“financial assets measured at fair value through other comprehensive income	
Account receivable . .	amortized cost	546,036,431.17	Account receivable	amortized cost	546,036,431.17
			Financing receivable	“financial assets measured at fair value through other comprehensive income	
Other receivables . .	amortized cost	1,652,458,179.06	Other receivables	amortized cost	1,652,458,179.06
Available-for-sale financial assets (Including other current assets) . . .	“financial assets measured at fair value through other comprehensive income (Equity instruments)	418,000,000.00	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		418,000,000.00
			Investment in other equity instruments	“financial assets measured at fair value through other comprehensive income	
	measured at cost (Equity instruments)	836,000,000.00	Financial assets held-for-trading	measured at fair value through profit and loss	
			Other non-current financial asset		
			Investment in other equity instruments	“financial assets measured at fair value through other comprehensive income	836,000,000.00

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2. First implementation of the New Financial Instrument Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year

- (1) 1 January 2019 for the first time to implement the financial instrument standards to adjust the related items in financial statements at the beginning of 2019

### Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash at bank and on hand . . . . .	2,220,455,723.46	2,220,455,723.46			
Settlement provision . . . .					
Lending funds. . . . .					
Financial assets held-for-trading . . . . .	Inapplicability				
Financial assets measured at fair value through profit or loss . . . . .		Inapplicability			
Financial derivative. . . . .					
Bills receivable . . . . .	143,196,367.64	54,826,338.62	-88,370,029.02		
Accounts receivable . . . .	1,969,509,516.76	1,954,917,514.94		-14,592,001.82	-14,592,001.82
Receivable financing . . . .	Inapplicability	88,370,029.02	88,370,029.02		
Prepayments. . . . .	93,242,729.39	93,242,729.39			
Premium receivable. . . . .					
Reinsurance accounts receivable. . . . .					
Reinsurance contract reserve receivable . . . .					
Other receivables . . . . .	208,596,479.37	208,596,479.37			
Buying back the sale of financial assets . . . . .					
Inventories . . . . .	785,660,976.47	785,660,976.47			
Assets held-for-sale. . . . .					
Non-current assets due within one year. . . . .	248,494,659.66	248,494,659.66			
Other current assets . . . .	36,694,881.50	36,694,881.50			
<b>Total current assets</b> . . . .	<b>5,705,851,334.25</b>	<b>5,691,259,332.43</b>		<b>-14,592,001.82</b>	<b>-14,592,001.82</b>
Non-current assets . . . . .					
Loans and advances . . . .					
Debt investments . . . . .	Inapplicability				
Available-for-sale financial assets . . . . .	1,965,263,090.86	Inapplicability	-1,965,263,090.86		-1,965,263,090.86
Other debt investments . . .	Inapplicability				
Held-to-maturity investment . . . . .		Inapplicability			
Long-term receivables . . .	62,688,142.91	62,688,142.91			
Long-term equity investments. . . . .	1,062,095,263.10	1,062,095,263.10			
Investments in other equity instruments . . . . .	Inapplicability	1,547,263,090.86	1,547,263,090.86		1,547,263,090.86

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Ending balance	Beginning balance	Adjustment		Total
			Reclassification	Re-measurement	
Other non-current financial assets . . . . .	Inapplicability	418,000,000.00	418,000,000.00		418,000,000.00
Investment properties . . .	87,470,780.72	87,470,780.72			
Fixed assets . . . . .	1,278,621,109.13	1,278,621,109.13			
Construction in progress . .	515,629,131.58	515,629,131.58			
Productive biological assets . . . . .					
Oil and gas assets . . . . .					
Intangible assets . . . . .	1,336,226,830.79	1,336,226,830.79			
Development costs . . . . .	294,066,395.06	294,066,395.06			
Goodwill . . . . .	2,161,526,521.63	2,161,526,521.63			
Long-term deferred expenses . . . . .	124,034,738.87	124,034,738.87			
Deferred income tax assets . . . . .	92,935,127.67	95,497,642.84		2,562,515.17	2,562,515.17
Other non-current assets . .	426,884,255.19	426,884,255.19			
<b>Total non-current assets . . . . .</b>	<b>9,407,441,387.51</b>	<b>9,410,003,902.68</b>		<b>2,562,515.17</b>	<b>2,562,515.17</b>
<b>Total assets . . . . .</b>	<b>15,113,292,721.76</b>	<b>15,101,263,235.11</b>		<b>-12,029,486.65</b>	<b>-12,029,486.65</b>
Current liabilities . . . . .					
Short-term borrowings . . .	1,883,257,160.00	1,883,257,160.00			
Loans from central bank . .					
Borrowing funds . . . . .					
Financial liabilities held-for-trading . . . . .	Inapplicability				
Financial liabilities measured at fair value through profit or loss . .		Inapplicability			
Derivative financial liabilities . . . . .					
Bills payable . . . . .	90,940,569.38	90,940,569.38			
Accounts payable . . . . .	649,879,548.23	649,879,548.23			
Advance payments received . . . . .	144,284,580.77	144,284,580.77			
Sales of repurchased financial assets . . . . .					
Deposits from customers and interbank . . . . .					
Receiving from vicariously traded securities . . . . .					
Receiving from vicariously sold securities . . . . .					
Employee benefits payable . . . . .	84,194,315.17	84,194,315.17			
Taxes payable . . . . .	143,298,683.13	143,298,683.13			
Other payable . . . . .	539,707,292.87	539,707,292.87			
Handling charges and commissions payable . .					
Reinsurance accounts payable . . . . .					
Liabilities held for sale . .					
Non-current liabilities due within one year . . . . .	917,702,496.90	917,702,496.90			
Other current liabilities . .	615,971,730.16	615,971,730.16			

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
<b>Total current liabilities</b> . .	5,069,236,376.61	5,069,236,376.61			
Non-current liabilities . . .					
Reserve fund for insurance contracts . . . . .					
Long-term borrowings . . .	2,622,446,000.00	2,622,446,000.00			
Debentures payable . . . .	596,592,119.87	596,592,119.87			
Including: Preference shares . . . . .					
Perpetual bonds . . . . .					
Long-term payable . . . .	12,367,830.12	12,367,830.12			
Long-term employee benefits payable . . . . .					
Provisions . . . . .					
Deferred income . . . . .	133,128,773.99	133,128,773.99			
Deferred income tax liabilities . . . . .	91,468,773.10	91,468,773.10			
Other non-current liabilities . . . . .					
<b>Total non-current liabilities</b> . . . . .	3,456,003,497.08	3,456,003,497.08			
<b>Total liabilities</b> . . . . .	8,525,239,873.69	8,525,239,873.69			
Shareholders' equity . . . .					
Share capital . . . . .	1,781,652,921.00	1,781,652,921.00			
Other equity instruments . .					
Including: Preference shares . . . . .					
Perpetual bonds . . . . .					
Capital reserve . . . . .	90,674,278.38	90,674,278.38			
Less: Treasury shares . . . .	95,995,791.07	95,995,791.07			
Other comprehensive income . . . . .	342,205,910.69	155,205,910.69		-187,000,000.00	-187,000,000.00
Specific reserve . . . . .					
Surplus reserve . . . . .	393,752,382.23	393,752,382.23			
General Risk Preparation . .					
Retained earnings . . . . .	3,849,339,911.52	4,024,310,424.87		174,970,513.35	174,970,513.35
Total equity attributable to shareholders of the Company . . . . .	6,361,629,612.75	6,349,600,126.10		-12,029,486.65	-12,029,486.65
Non-controlling interests . .	226,423,235.32	226,423,235.32			
<b>Total shareholders' equity</b> . . . . .	6,588,052,848.07	6,576,023,361.42		-12,029,486.65	-12,029,486.65
<b>Total liabilities and shareholders' equity</b> . .	15,113,292,721.76	15,101,263,235.11		-12,029,486.65	-12,029,486.65

Description of adjustment of each project:

1. According to the expected credit impairment loss model, calculate the credit risk of the original accounts receivable in the whole life period, and increase the bad debt reserve of accounts receivable at the beginning of the period by RMB14,592,001.82, reduce the retained earnings by RMB14,592,001.82, and increase the deferred income tax assets by RMB2,562,515.17, increased retained earnings by RMB2,562,515.17.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2. The original stock investment shall be measured according to the New Financial Instrument Standards, and the changes in fair value of the previous year shall be adjusted to increase retained earnings by RMB187,000,000.00 and reduce other comprehensive income by RMB187,000,000.00.

### Company's Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Current assets:					
Cash at bank and on hand . . . . .	876,169,541.97	876,169,541.97			
Financial assets held-for-trading . . . . .	Inapplicability				
Financial assets measured at fair value through profit or loss . . . . .		Inapplicability			
Financial derivative. . . . .					
Bills receivable . . . . .	28,263,080.11	28,263,080.11			
Accounts receivable . . . . .	546,036,431.17	535,181,578.35		-10,854,852.82	-10,854,852.82
Receivable financing . . . . .	Inapplicability				
Prepayments. . . . .	22,023,429.01	22,023,429.01			
Other receivables . . . . .	1,652,458,179.06	1,652,458,179.06			
Inventories . . . . .	110,068,973.74	110,068,973.74			
Assets held-for-sale. . . . .					
Non-current assets due within one year. . . . .					
Other current assets . . . . .	2,394,844.67	2,394,844.67			
<b>Total current assets</b> . . . . .	<b>3,237,414,479.73</b>	<b>3,226,559,626.91</b>		<b>-10,854,852.82</b>	<b>-10,854,852.82</b>
Non-current assets . . . . .					
Debt investments . . . . .	Inapplicability				
Available-for-sale financial assets . . . . .	1,254,000,000.00	Inapplicability	-1,254,000,000.00		-1,254,000,000.00
Other debt investments . . . . .	Inapplicability				
Held-to-maturity investment . . . . .		Inapplicability			
Long-term receivables . . . . .					
Long-term equity investments. . . . .	7,134,786,383.85	7,134,786,383.85			
Investments in other equity instruments . . . . .	Inapplicability	836,000,000.00	836,000,000.00		836,000,000.00
Other non-current financial assets . . . . .	Inapplicability	418,000,000.00	418,000,000.00		418,000,000.00
Investment properties. . . . .	34,086,222.25	34,086,222.25			
Fixed assets . . . . .	337,361,758.38	337,361,758.38			
Construction in progress . . . . .	21,630,556.70	21,630,556.70			
Productive biological assets . . . . .					
Oil and gas assets . . . . .					
Intangible assets . . . . .	15,195,258.65	15,195,258.65			
Development costs . . . . .	139,893,337.72	139,893,337.72			
Goodwill . . . . .					
Long-term deferred expenses . . . . .	51,051,869.95	51,051,869.95			

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Item	Ending balance	Beginning balance	Adjustment		Total
			Reclassification	Re-measurement	
Deferred income					
tax assets . . . . .	22,200,218.43	23,828,446.35		1,628,227.92	1,628,227.92
Other non-current assets . .	374,699,938.00	374,699,938.00			
<b>Total non-current</b>					
<b>assets . . . . .</b>	9,384,905,543.93	9,386,533,771.85		1,628,227.92	1,628,227.92
<b>Total assets . . . . .</b>	12,622,320,023.66	12,613,093,398.76		-9,226,624.90	-9,226,624.90
Current liabilities . . . . .					
Short-term loans . . . . .	1,265,000,000.00	1,265,000,000.00			
Financial liabilities held-					
for-trading . . . . .	Inapplicability				
Financial liabilities					
measured at fair value					
through profit or loss . .		Inapplicability			
Derivative financial					
liabilities . . . . .					
Bills payable . . . . .					
Accounts payable . . . . .	83,046,365.67	83,046,365.67			
Advance payments					
received. . . . .	19,181,230.13	19,181,230.13			
Employee benefits					
payable . . . . .	18,626,843.34	18,626,843.34			
Taxes payable . . . . .	32,950,292.93	32,950,292.93			
Other payable . . . . .	616,933,608.62	616,933,608.62			
Liabilities held-for-sale. . .					
Non-current liabilities due					
within one year. . . . .	903,850,000.00	903,850,000.00			
Other current liabilities. . .	615,971,730.16	615,971,730.16			
<b>Total current liabilities . .</b>	3,555,560,070.85	3,555,560,070.85			
Non-current liabilities . . .					
Long-term loans . . . . .	2,465,500,000.00	2,465,500,000.00			
Debentures payable. . . . .	596,592,119.87	596,592,119.87			
Including: Preference					
shares . . . . .					
Perpetual bonds. . . . .					
Long-term payable . . . . .					
Long-term employee					
benefits payable . . . . .					
Provisions. . . . .					
Deferred income . . . . .	13,400,000.00	13,400,000.00			
Deferred income tax					
liabilities . . . . .	33,000,000.00	33,000,000.00			
Other non-current					
liabilities . . . . .					
<b>Total non-current</b>					
<b>liabilities . . . . .</b>	3,108,492,119.87	3,108,492,119.87			
<b>Total liabilities . . . . .</b>	6,664,052,190.72	6,664,052,190.72			
Shareholders' equity . . . . .					
Share capital . . . . .	1,781,652,921.00	1,781,652,921.00			
Other equity instruments . .					
Including: Preference					
shares . . . . .					
Perpetual bonds. . . . .					
Capital reserve . . . . .	1,746,018,800.30	1,746,018,800.30			

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Less: Treasury shares. . . .	95,995,791.07	95,995,791.07			
Other comprehensive income . . . . .	187,000,000.00			-187,000,000.00	-187,000,000.00
Specific reserve. . . . .					
Surplus reserve . . . . .	393,752,382.23	393,752,382.23			
Retained earnings. . . . .	1,945,839,520.48	2,123,612,895.58		177,773,375.10	177,773,375.10
<b>Total shareholders' equity. . . . .</b>	<b>5,958,267,832.94</b>	<b>5,949,041,208.04</b>		<b>-9,226,624.90</b>	<b>-9,226,624.90</b>
<b>Total liabilities and shareholders' equity . .</b>	<b>12,622,320,023.66</b>	<b>12,613,093,398.76</b>		<b>-9,226,624.90</b>	<b>-9,226,624.90</b>

Description of adjustment of each project:

1. According to the expected credit impairment loss model, calculate the credit risk of the original accounts receivable in the whole life period, increase the bad debt reserve of accounts receivable at the beginning of the period by RMB10,854,852.82, reduce the retained earnings by RMB10,854,852.82, increase the deferred income tax assets by RMB1,628,227.92, increased retained earnings by RMB1,628,227.92.

The original stock investment shall be measured according to the New Financial Instrument Standards, and the fair value changes of the previous year shall be adjusted to increase retained earnings by RMB187,000,000.00 and reduce other comprehensive income by RMB187,000,000.00.

***First implementation of the the New Revenue Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year***

*Standard adopted for the first time for 2020*

Implementation of *Accounting Standards for Business Enterprises No. 14—Revenue (2017 Revision)* (Hereinafter referred to as the “New Revenue Standards”)

The Ministry of Finance revised *Accounting Standards for Business Enterprises No. 14—Revenue* in 2017. The revised standard provides that the first implementation of the standard shall adjust the amount of retained earnings and other relevant items in the financial statements at the beginning of the current year based on the cumulative impact, without adjusting the information in the comparative period.



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The Company implemented the New Revenue Standards on 1 January 2020. In accordance with the standards, the Company only adjusts the amount of retained earnings at the beginning of 2020 and other relevant items in the financial statements for the cumulative impact of contracts not yet completed on the first execution date, and does not adjust the financial statements for the year 2019. The main implications of implementing the standards are as follows:

The content and reason of changes of accounting policy	Approval produces	Affected report item name	Impact on balance at of 1 January 2020	
			Consolidated	Company
Reclassify completed, outstanding and receivables related to sales that do not satisfy unconditional collection rights into contract assets, and reclassify sales-related settled, outstanding and sales-related advances received into contract liabilities. . . . .	Approved by the Board of Directors	Contract liabilities	147,618,255.11	43,821,151.66
		Advances received	-163,776,470.25	-45,360,778.64
		Other current liabilities	16,158,215.14	1,539,626.98

- (2) 1 January 2020 for the first time to implement the New Revenue Standards to adjust the related items in financial statements at the beginning of 2020

### Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Contract liability . . . . .		147,618,255.11	147,618,255.11		147,618,255.11
Advance payment. . . . .	163,776,470.25		-163,776,470.25		-163,776,470.25
Other current liabilities. . .		16,158,215.14	16,158,215.14		16,158,215.14

### Company's Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Contract liability . . . . .		43,821,151.66	43,821,151.66		43,821,151.66
Advance payment. . . . .	45,360,778.64		-45,360,778.64		-45,360,778.64
Other current liabilities. . .		1,539,626.98	1,539,626.98		1,539,626.98

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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*First implementation of the New Lease Standards to adjust the first implementation of projects relevant to the financial statements at the beginning of the year*

*Standard adopted for the first time for 2021*

- (1) Implementation of *Accounting Standards for Business Enterprises No.21 Lease (2018 version)*

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No.21-Lease* (the “New Lease Standards”) in 2018. The Company implemented the New Lease Standards from 1 January 2021. According to the revised standards, the Company chooses not to reevaluate the contract of whether it is a lease or includes a lease on the first execution date.

- The Company acts as the lessee

The Company chooses to adjust the amount of retained earnings and other related items at the beginning of the year of the first implementation period according to the cumulative impact of the New Lease Standards, and does not adjust the comparative period information.

For operating leases existing prior to the first execution date, the Company shall measure the lease liabilities at the present rate of the incremental loan rate on the first execution date according residual lease payments, and select one of the following two methods to measure the right-of-use assets for each lease:

- Assuming that the book value of the New Lease Standards is adopted from the beginning date of the lease term, the incremental borrowing rate of the Company on the first execution date is used as the discount rate.
- Amount equal to the lease liability and the necessary adjustment according to the advanced rent.

For operating leases prior to the first execution date, the Company applies the above method with the following simplification(s) for each lease option:

- 1) The lease completed within 12 months after the first execution date shall be treated as a short-term lease;
- 2) When measuring the lease liabilities, the lease with similar characteristics shall adopt the same discount rate;
- 3) The measurement of the right-of-use assets does not include the initial direct expenses;
- 4) Where there is an option to renew or terminate the lease, the lease term shall be determined according to the actual exercise of the first execution option and other latest circumstances;

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

- 5) As a substitute for the impairment test of the right-of-use assets, evaluate whether the contract including the lease is an onerous contract before the first execution according to note "III. (24) Estimated liabilities", and adjust the right-of-use assets according to the loss allowance included in the balance sheet before the first execution date;
- 6) The lease change occurring before the first execution date shall not be adjusted retrospectively, and shall be treated based on the final arrangement of the lease change according to the New Lease Standards.

When measuring lease liabilities, the Company uses the lessee incremental borrowing rate (weighted average: 4.65%) at 1 January 2021 to discount the lease payment.

Min. outstanding lease payment for material operating leases disclosed in the consolidated financial statements as of 31 December, 2020 . . . . .	106,071,252.17
The present value of the incremental borrowing rate of the Company discounted on 1 January 2021 . . . . .	99,703,429.34
Lease liabilities under the New Lease Standards on 1 January 2021 . . . . .	99,703,429.34
The difference between the present value of the above value and the lease liabilities . . . . .	

For the financial lease existing before the first execution date, the Company shall measure the right-of-use assets and the lease liabilities respectively according to the original book value of the financial leased assets and the financial lease amount payable.

- The Company acts as the lessor

For the transfer lease classified as operating lease before the first execution date and surviving after the first execution date, the Company shall reevaluate on the first execution date based on the remaining contract terms and terms of the original lease and transfer lease, and classify them according to the provisions of the New Lease Standards. If reclassified as financial lease, the Company will treat it as a new financial lease.

Except for lease transfer, the Company does not need to adjust its lease as a lessor in accordance with the New Lease Standards. The Company shall carry out accounting treatment in accordance with the New Lease Standards from the first execution date.

- The main effects of the implementation of the New Lease Standards on the financial statements are as follows:

The content and reason of accounting policy change	Approval procedures	Affected report items	Impact on balance as of 1 January, 2021	
			Consolidated	Company
(1) The adjustment of the Company as the lessee to the existing operating lease before the first execution date . . . . .	Board of directors	Right-of-use assets	108,459,673.00	36,560,046.95
		Lease obligation	99,703,429.34	19,539,911.94
		Advance payment	-8,756,243.66	-17,020,135.01

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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(2) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 14*

The Ministry of Finance issued *Interpretation of Accounting Standards for Business Enterprises No. 14* on 2 February, 2021 (Cai Kuai [2021] No. 1, hereinafter referred to as “Interpretation No. 14”), effective as of the date of promulgation. The relevant businesses newly added from 1 January 2021 to the implementation date shall be adjusted according to Interpretation No. 14.

① Public-private Partnership (PPP) project contract

Interpretation No. 14, for at the same time meet the interpretation described “double character” and “double control” of the PPP project contract, began on 31 December 2020 and to date has not yet been completed should be retroactive adjustment on PPP project contract, retroactive adjustment is not feasible, from the earliest traceable to adjust during the initial start application, retained earnings at the beginning of the current year and other relevant items in the financial statements on the effective date of the adjustment of cumulative impact number shall not be adjusted for information in comparative periods. The Company's implementation of this provision has no impact.

② Reform of benchmark interest rate

Interpretation No.14 provides a simplified accounting treatment for cases where the benchmark interest rate reform results in a change in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of this interpretation, businesses related to the benchmark interest rate reform before 31 December 2020 shall be retroactively adjusted, unless retroactively adjusted is not feasible, and there is no need to adjust the data of the previous comparative financial statements. On the implementation date of this interpretation, the difference between the original book value of financial assets and financial liabilities and the new book value shall be included in the beginning retained earnings or other comprehensive earnings of the annual reporting period on the implementation date of this interpretation. The implementation of this provision has no material impact on the Company's financial position and operating results.

(3) Implementation of the Notice on Adjusting (COVID-19-related Rent Reduction Accounting Treatment Provisions) Scope of Application

On 19 June 2020, the Ministry of Finance issued the COVID-19-related Rent Reduction Accounting Treatment Provisions (Cai Kuai [2020] No.10). For those meeting the requirements of rent reduction and deferred rent payment directly caused by COVID-19, enterprises can choose to adopt a simplified method for accounting treatment.

On 26 May 2021, the Ministry of Finance issued the Notice on Adjusting (COVID-19-related Rent Reduction Accounting Treatment Provisions) Scope of Application (Cai Kuai [2020] No. 9) with effect from 26 May 2021, to adjust the application scope of simplified method for COVID-19-related rent reduction allowed under the COVID-19-related Rent Reduction Accounting Treatment Provisions from “reduction only applies to lease payments payable before 30 June 2021” to “reduction only applies to lease payments payable before 30 June 2022”, other applicable conditions unchanged.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The Company has chosen to adopt the simplified method for all eligible lease contracts before the scope adjustment, while also adopt for all similar lease contracts met conditions after adjustment of the application scope. The Company has retroactively adjusted relevant lease contracts that have treated with lease changes prior to the notice, without adjusting the financial statement data for the comparative period. For rent reduction not treated according to the notice from 1 January 2021 to the implementation date of the notice, it shall be adjusted pursuant to the notice.

### (4) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 15* on reporting about centralized fund management

On December 30, 2021, the Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No.15 (Cai Kuai [2020] No.35*, hereinafter referred to as “Interpretation No. 15”). The contents of “reporting about centralized fund management” shall come into effect as of the date of promulgation, and the financial statement data for the comparative period shall be adjusted accordingly.

Interpretation No.15 makes clear provisions on how the enterprise shall report and disclose the balance of the centralized and unified management of the funds of the Company and its members of the unit through the internal settlement center and the financial company. The implementation of these provisions has no significant impact on the Company's financial position and operating results.

1 January 2021 for the first time to implement the New Lease Standards to adjust the related items in financial statements at the beginning of 2021.

### Consolidated Balance Sheet

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Prepayments. . . . .	170,006,036.34	161,249,792.68		-8,756,243.66	-8,756,243.66
Right-of-use assets . . . . .		108,459,673.00		108,459,673.00	108,459,673.00
Lease liability. . . . .		99,703,429.34		99,703,429.34	99,703,429.34

### Company's Balance Sheets

Item	Ending balance	Beginning balance	Adjustment		
			Reclassification	Re-measurement	Total
Prepayments. . . . .	43,609,124.03	26,588,989.02		-17,020,135.01	-17,020,135.01
Right-of-use assets . . . . .		36,560,046.95		36,560,046.95	36,560,046.95
Lease liability. . . . .		19,539,911.94		19,539,911.94	19,539,911.94

### (2) *Going concern*

The financial statements are prepared on a going concern basis.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### III. Significant Accounting Policies and Accounting Estimates

#### *(1) Statement of compliance with the Accounting Standards for Business Enterprises*

The financial statements of the Company for the years ended 31 December 2019, 2020 and 2021 are in compliance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely present the consolidated and company's financial position of the Company as at 31 December 2019, 2020 and 2021, and of the consolidated and company's financial performance and cash flows for the years then ended.

#### *(2) Accounting period*

The accounting period of the Company is from 1 January to 31 December of each calendar year.

#### *(3) Operating cycle*

The Company's operating cycle is 12 months.

#### *(4) Reporting currency*

The Company's reporting currency is Renminbi ("RMB").

#### *(5) Accounting treatment for business combinations under common control and business combinations not under common control*

For business combination under common control: The assets and liabilities (including the goodwill that generated from the ultimate controller's acquisition of the combined party) that the combining party obtains in a business combination shall be measured at their respective carrying amounts as recorded by the combined party in the consolidated financial statements of the ultimate controller on the combining date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations (or total par value of issued shares) shall be adjusted to capital stock premium in the capital reserve. If the balance of capital stock premium is insufficient, any excess is adjusted to retained earnings.

For business combination that are not under common control: The cost of the combination is the fair value of assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree at the date of purchase. Goodwill is recognized by the difference between the cost of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree, the negative balance shall be counted into current profit and loss. For identifiable net assets, liabilities and contingent liabilities of the acquiree obtained from business combination that meet the recognition conditions shall be measured at fair value on the acquisition date.

The relevant direct costs of the combination shall be recorded into the current profit or loss when incurred. The transaction costs of the equity securities or debt securities issued for business combination shall be included in the initially confirmed amount of the equity securities or debt securities.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### *(6) Methods of preparation of consolidated financial statements*

#### *1. Consolidation scope*

The scope of consolidation in the consolidated financial statements is determined on a control basis, including the Company and all subsidiaries. Control means that the company has the power over the invested entity, can obtain variable returns from its participation in relevant activities of the invested entity, and is capable of affecting the amount of returns by using the power over the invested entity.

#### *2. Consolidation procedure*

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow. The impact of internal transactions between the Company and its subsidiaries as well between subsidiaries shall be offset. If the relevant assets are impaired in internal transaction, the loss shall be recognized in full. If the accounting policies and accounting periods adopted by the subsidiaries are different from those of the Company, some necessary adjustments shall be made by following the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The owner's equity of the subsidiary, the share of the current net profit or loss and current comprehensive income attributable to the minority shareholder shall be separately presented under the owner's equity of the consolidated balance sheet, the net profit and the total comprehensive income of the consolidated income statement. If the current loss assumed by the minority shareholders of a subsidiary exceeds the share in the opening owner's equity of the subsidiary, the balance shall be offset against the minority shareholders' equity.

#### *(1) Acquisition of subsidiaries or businesses*

During the reporting period, if a subsidiary or businesses are acquired due to the business combination under the common control, the opening balance of the operating results and cash flow for the period of the combination shall be included in the consolidated financial statements. Additionally, the opening balance of the consolidated financial statements and the relative items in the comparative statements shall be adjusted, as if the reporting entity of the combination always exists since the ultimate controller begins the control.

For control over the invested entity under the common control due to additional investment or the like, the equity investment held prior to obtaining the control over the combined party, the profits or losses, other comprehensive income and other changes in the net assets recognized for the period from the acquisition date or the date when the combining party and the combined party are under the same control, whichever is later, to the combining date, shall be offset against the opening retained earnings or current profit or loss in the period of the comparative statements respectively.

During the reporting period, if a subsidiary or businesses are acquired due to the business combinations not under common control, they shall be included in the consolidated financial statements on the basis of the fair value of all identifiable assets, liabilities and contingent liabilities determined from the acquisition date.



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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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For control over the invested entity not under the common control due to additional investment or the like, the equity of the acquiree held before the acquisition date will be remeasured at the fair value on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income. Whereas, the equity of the acquiree held before the acquisition date involving other comprehensive income that can be reclassified into profit or loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income of the period including the acquisition date.

### (2) Disposal of subsidiaries

#### ① General approach

When lose the control over the invested party for the disposal of part of equity investments or other reasons, it shall remeasure the remaining equity at the fair value on the date that the control power is lost. The difference between the sum of the consideration derived from the equity disposal and the fair value of the remaining equity shares, and the sum of the net asset share entitled from the acquisition date or combining date continually calculated by the original shareholding ratio in subsidiaries and goodwill, shall be included in the investment income of the current period when the control power is lost. Other comprehensive income related to the original equity investment in the subsidiaries that can be reclassified into profit and loss afterwards, and other changes in owner's equity under the equity method shall be converted into the current investment income when lose the control.

#### ② Disposal of subsidiaries by stages

For the disposal of equity investment in subsidiaries through multiple transactions until lose the power of control, the said transactions shall be accounted as a package deal if the terms, conditions and economic effects of all transactions for the disposal of equity investment in subsidiaries satisfy one or more of the following circumstances:

- i. These transactions are concluded at the same time or in consideration of mutual influence.
- ii. Only these transactions as a whole can achieve a complete business result.
- iii. One transaction depends on at least one other transaction.
- iv. The single transaction is not economic, but it will be economic when considering it together with other transactions.

If each transaction is a package deal, it shall be treated as a transaction for disposal of subsidiaries and the control over the subsidiaries will be lost; however, before losing control power, the difference between each disposal price and the net asset share of the subsidiary entitled corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements, and then included in profits and losses of the period that the control power is lost.



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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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If each transaction is not a package deal, it shall be treated as the partial disposal of equity investment in the subsidiary without loss of control before losing the power of control; however, it shall follow the general approach to the disposal of subsidiaries in case of loss of control.

(3) Acquisition of minority interests in subsidiaries

The difference between the long-term equity investment newly acquired due to the acquisition of minority interest and the share of net assets of the subsidiary entitled from the acquisition date or combining date continually calculated by the new shareholding ratio shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

(4) Partial disposal of equity investments in subsidiaries without loss of control

The difference between the disposal price and the share of net assets entitled corresponding to the disposal of long-term equity investments continually calculated from the acquisition date or combining date shall be offset against the share premium under capital reserve in the consolidated balance sheet. If the capital reserve is insufficient to offset the difference, any excess shall be adjusted against the retained earnings.

***(7) Classification of joint arrangement and accounting methods for joint operation***

Joint arrangement includes joint operation and joint venture.

A joint venture party shares the related assets and liabilities, which means joint operation. The Company confirms that the following items are related to the share of interests in joint operation:

- (1) The assets held by the Company alone, and the jointly-held assets by the share of the Company.
- (2) The liabilities held by the Company alone, and the jointly-held liabilities by the share of the Company.
- (3) The revenue from the sales of shares of co-operation output.
- (4) The revenue from the sales according to ratio in co-operation output.
- (5) The expenditure arose alone and from co-operation according to the share of the Company.

***(8) Recognition criteria for cash and cash equivalents***

Cash indicates both cash on hand and the deposit held in bank which are available for payment at any time. Cash equivalents are referred as investment that held in a short term, highly liquid and were readily convertible to known amounts of cash and subject to insignificant risk of value change.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### ***(9) Foreign currency transactions and translation of foreign exchange financial statements***

#### ***1. Foreign currency transactions***

Foreign currency transactions are translated into RMB using the spot exchange rates prevailing on the transaction date.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to special foreign currency borrowings that have been taken out for the acquisition or construction of qualifying assets, which are capitalized according to the principle of borrowing costs.

#### ***2. Translation of foreign currency financial statements***

The asset and liability items in the balance sheets are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on the transaction date. The income and expense items in the income statements are translated at the spot exchange rates of the transaction date.

When disposing of foreign operations, the difference arising from the translation of financial statements for the foreign operations shall be transferred from the owner's equity to profit or loss.

### ***(10) Financial instruments***

When the Company becomes a party in the financial instrument contract, a financial asset, financial liability or equity instruments will be recognized.

#### ***1. Classification of the financial instruments***

Based on the business model under which the Company manages assets and the characteristics of contractual cash flows of financial assets, the financial assets are divided into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be financial assets at fair value through profit or loss as assets at amortized cost:

- The business model is in order to collect contractual cash flows.
- Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

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The Company classifies a financial asset that meets any of the following conditions, as well is not designated to be measured at fair value through profit and loss as financial assets at fair value through other comprehensive income (debt instruments):

- The business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- Contract cash flow is only the payment of principal and interest on the principal amount outstanding.

The Company can irrevocably designate equity instruments not held for trading as financial assets at fair value through other comprehensive income (equity instruments) at initial recognition. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instrument from the perspective of the issuer.

Financial assets other than the above financial assets at amortized cost and financial assets at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through profit and loss. If the accounting mismatch can be eliminated or significantly reduced, at initial recognition, the Company can irrevocably designate the financial assets that should be classified as measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit and loss.

Financial liabilities are divided into financial liabilities at fair value through profit and loss, and financial liabilities at amortized cost at initial recognition.

Financial liabilities that meet any of the following conditions can be designated to financial liabilities at fair value through profit and loss:

- (1) The designation can eliminate or significantly reduce the accounting mismatches.
- (2) Manage and take performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis in accordance with the risk management or investment strategy of the enterprise as set out in formal written documentation, and report to the key managers on this basis within the company.
- (3) The financial liability contains embedded derivatives that are subject to a separate spin-off.

### 2. *Recognition basis and measure method of financial instruments*

#### (1) Financial assets at amortized cost

Financial assets at amortized cost include notes receivables and accounts receivables, other receivables, long-term receivables, and debt investments, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount; however, accounts receivable without major financing components and accounts receivable with financing component less than one year left out by the Company are initially measured at the contract transaction price.

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The interest calculated by the effective interest rate method is included in profit or loss during the holding period.

The difference between the acquisition price and the carrying value of the financial asset is included in profit or loss upon recovery or disposal.

(2) Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments) include receivables financing, other debt investment, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. The financial asset is subsequently measured at fair value. Except for the interest calculated by the effective interest rate method, impairment losses or gains and exchange gains or losses, changes in fair value are included in other comprehensive income.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to profit or loss.

(3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include equity instrument investments, etc., which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount. Such financial assets subsequently measured at fair value, and the changes in fair value are included in other comprehensive income. As well the dividends obtained are included in current profits and losses.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value, and the relevant transaction expenses are included in profit or loss. The financial asset is subsequently measured at fair value, where the changes in fair value are included in 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 profit or loss. The financial liability is subsequently measured at fair value, where the changes in fair value are included in profit or loss.

Upon derecognition, the difference between its book value and the paid consideration is included in profit or loss.

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### (6) Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term loans, notes payable, accounts payable, other payable, long-term loans, bonds payable, and long-term accounts payable, which are initially measured at fair value, and the relevant transaction expenses are included in the initially recognized amount.

The interest calculated by the effective interest method is included in profit or loss during the holding period.

Upon derecognition, the difference between the paid consideration and the book value of the financial liability is included in profit or loss.

### 3. *Derecognition and transfer of financial assets*

The Company derecognizes financial assets if any of the following conditions is met:

- the right to receive cash flows from the financial asset expires,
- the financial asset has been transferred and almost all risks and rewards relating to the financial asset have been transferred to the transferee,
- the financial asset has been transferred to the transferee, and the Company has not transferred or retained substantially all risks and rewards relating to the financial asset, nor does it maintain the control over the financial asset.

When a financial asset is transferred, if almost all risks and rewards relating to the financial asset are retained, the recognition of the financial asset will not be terminated.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the company adopts the principle of substance over form.

The Company divides the transfer of financial assets into overall transfer and partial transfer. In case the overall transfer of the financial asset meets the criteria for derecognition, the difference between the following two items will be included in profit or loss:

- (1) The book value of transferred financial assets.
- (2) the sum of the consideration received as a result of the transfer and the accumulated changes in fair value which were previously directly included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income (debt instruments)).

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In case where the transfer of only part of the financial asset meets the criteria for derecognition, the carrying amount of financial asset being transferred is allocated between the portions to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the following two items will be included in profit or loss:

- (1) The book value of the derecognized part financial assets;
- (2) The sum of the consideration of the derecognized part and the amount corresponding to the derecognized part of the accumulated changes in fair value which were previously included in owner's equity (the financial asset involved in transfer is the financial asset at fair value through other comprehensive income(debt instruments)).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized, and its consideration shall be recognized as a financial liability.

#### *4. Derecognition of financial liabilities*

A financial liability or a part of financial liability is derecognized when the obligation specified in the contract is discharged or cancelled in whole or in part. An agreement between the Group and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

As for substantive changes made to all or part of the contract terms of the existing financial liabilities, the existing financial liabilities or part of them will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability.

When financial liabilities are derecognized in whole or in part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recognized in profit or loss for the period.

If the Company repurchases partial financial liabilities, the overall book value of the financial liabilities shall be distributed according to the relative fair value of the continuously recognized part and the derecognized part on the repurchase date. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) shall be included in profit or loss for the period.

#### *5. Method for determination of fair values of financial assets and financial liabilities*

For financial instruments with an active market, their fair value shall be determined by the quotation in the active market. In case there is no active market, the fair value shall be calculated by valuation technology. During the valuation, the Company adopts the valuation technology which is the most appropriate at that time and with sufficient available data and other information, selects the input value consistent with the characteristics of asset or liability considered by market participants in the relevant transaction, and gives priority to the use of relevant observable input values. Unobservable input values are used only when the relevant observable input values cannot be obtained or it is impractical to obtain them.

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### 6. *Test method and accounting method for impairment of financial assets*

The Company estimates expected credit loss for financial assets at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments), and financial guarantee contract, etc. individually or in combination.

The Company considers reasonable and reliable information about past events, current situation and forecast of future economic situation, taking the weight risk of default, calculating the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received and recognizing the expected credit loss.

If the credit risk of a financial instrument has increased significantly since its initial recognition, the Company shall measure the provision for loss based on the expected credit loss of the instrument over the entire duration. If the credit risk of financial instruments has not increased significantly since the initial recognition, the Company shall measure the provision for loss based on the expected credit loss in the next 12 months. The increase or reversal amount of the provision for loss arising therefrom shall be included in the current profits and losses as impairment losses or gains.

The Company compares the risk of default of a financial instrument on the balance sheet date with the risk on the initial recognition date to determine the relative change of default risk during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. Generally, when it is overdue for more than 30 days, the Company considers that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove the credit risk has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If there is objective evidence indicating that a financial asset has been impaired, the company shall make provision for impairment of the financial asset individually.

For the receivables and contract assets arising from transactions regulated by the *Accounting Standards for Business Enterprises No. 14—Revenue*(2017), whether or not they contain significant financing components, their loss allowance is always measured at the amount of the expected credit losses for the lifetime.

For lease receivables, the Company chooses to always measure their loss allowance at the amount of the expected credit losses for the lifetime.

If the Company no longer reasonably expects that the contractual cash flow of financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down.



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### *(11) Inventories*

#### *1. Classification and cost of inventories*

The inventories include raw materials, finished goods, and work in progress, etc.

Inventories are initially measured at cost, which includes the cost of purchase, processing costs and other expenses incurred in bringing the inventories to their present location and condition.

#### *2. Valuation method of inventory delivered*

When inventories are delivered, the actual cost is determined using the weighted-average method.

#### *3. Basis for determining the net realizable value of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When its net realizable value is lower than its cost, a provision for decline in value of inventories shall be made. Net realizable value refers to the amount of estimated price deducting estimated completion cost, sale expenses and related sales taxes in daily activities.

In the normal production and operation process, the net realizable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. For the inventory of materials that need to be processed, its net realizable value is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes. For inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated based on the contract price. If the quantity of inventories held is more than the quantity ordered in the sales contract, the net realizable value of excess inventories is calculated based on the general sales price.

After the provision for inventory value decline is made, if the factors affecting the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the provision for inventory value decline is reversed within the amount originally provided for, and the reversed amount is recognized in profit or loss for the current period.

#### *4. Inventory system*

The Company adapts a perpetual inventory system.

#### *5. Amortization method of low-value consumables and packaging materials*

- (1) Low-value consumables are amortized using the one-time reversal method;
- (2) Packaging materials are amortized using the one-time reversal method.



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### *(12) Contract asset*

#### *Accounting policy after 1 January 2020*

##### 1. Methods and criteria for recognition of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of the Company and the payment by the customer. The right to receive consideration for goods transferred or services provided by the Company to the customer (and where that right is dependent on factors other than the passage of time) is shown as a contract asset. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's unconditional (depending only on the passage of time) rights to receive consideration from customers are shown separately as receivables.

##### 2. Method of expected credit loss of contract assets and accounting treatment

The method of determining expected credit losses on contract assets and the accounting treatment are detailed in note “(III) 10. Test method and accounting method for impairment of financial assets” in this note.

### *(13) Held for sale*

The carrying amount of a non-current asset or disposal group is classified as held for sale if it is recovered principally through sale (including exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company classifies non-current assets or disposal groups as held for sale when both of the following conditions are met:

- (1) The sale is immediate in its present condition, based on the practice of selling such assets or disposal groups in similar transactions;
  - (2) It is highly probable that the sale will occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before a sale can take place, and such approval has been obtained.
- 
- (1) The sale is immediate in its present condition, based on the practice of selling such assets or disposal groups in similar transactions;
  - (2) It is highly probable that the sale will occur, i.e. the Company has resolved on a plan of sale and obtained firm purchase commitments, and the sale is expected to be completed within one year. Where the relevant regulations require the approval of the relevant authority or regulatory authority of the Company before a sale can take place, and such approval has been obtained;

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Non-current assets classified as held for sale (excluding financial assets, deferred income tax assets, assets arising from employee benefits) or disposal groups, the book value of which is higher than the net amount of the fair value less sales expenses is written down to such net amount recognized as impairment loss of assets, and included in profit or loss, while impairment of assets held for sale is also provided.

### *(14) Long-term equity investments*

#### *1. Judgement criteria for common control that have significant influence*

Joint control refers to the common control over an arrangement according to relevant agreements, whose relevant activities can only be decided after the unanimous consent of the participants sharing control. Where the Company and other joint venture parties jointly control the invested entity and have rights to the net assets of it, the invested entity is its joint venture of the company.

Significant influence means that the enterprise has the power to participate in the financial and operational decisions of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The invested entity is an associated enterprise of the Company, where it can influence the invested entity significantly.

#### *2. Determination of initial investment cost*

##### *(1) Long-term equity investments acquired through business combinations*

For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment.

The difference between the initial investment cost of a long-term equity investment and the carrying value of the consideration paid is adjusted against the equity premium in capital reserve; if the equity premium in capital reserve is not sufficient for elimination, retained earnings are adjusted. If additional investments exercise control over an investee under the common control, the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principles and the sum of the carrying amount of the long-term equity investment before it reaches consolidation plus the carrying amount of the consideration paid for the further acquisition of shares at the date of consolidation is adjusted against equity premium, and if the equity premium is not sufficient for elimination, it is reduced against retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination on the purchase date will be treated as the initial investment cost. If the investee not under common control can be controlled due to additional investment and other reasons, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost.

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### (2) Long-term equity investments acquired by other means

For long-term equity investments acquired by cash payment, the initial cost of investment is the actual amount of cash paid for the purchase.

For long-term equity investments acquired by issuing equity securities, the initial cost of investment is the fair value of the equity securities issued.

### 3. *Subsequent measurement and recognition method of profit or loss*

#### (1) Long-term equity investments accounted for under the cost method

The company's long-term equity investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions of holding for sale. In addition to the cash dividends or profits declared but not yet distributed included in the price actually paid or consideration when obtaining the investment, the company recognizes cash dividends or profits declared by the investee as investment income for the period in accordance with the amount to which they are attributable.

#### (2) Long-term equity investments accounted for under the equity method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost of a long-term equity investment is higher than the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investment is not adjusted. If the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is recognized in profit or loss for the current period and the cost of the long-term equity investment is adjusted.

The investment income and other comprehensive income are recognized in accordance with the investee's share of net profit or loss and other comprehensive income, respectively, and the carrying value of long-term equity investments is adjusted. The carrying value of long-term equity investments is reduced accordingly to the extent of the investee's share of profits or cash dividends declared by the investee. For changes in the ownership interest of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "other changes in owner's equity"), the carrying value of the long-term equity investment is adjusted and recognized as owner's equity.

The share of net profit or loss of the investee, other comprehensive income and other changes in owner's equity is recognized on the basis of the fair value of the investee's identifiable assets at the time of acquisition, in accordance with the Company's accounting policies and accounting periods, and after adjusting the net profit and other comprehensive income of the investee.

The portion of the unrealized gains or losses from internal transactions with associates and joint ventures that is attributable to the company in proportion to the shareholding shall be offset, and investment income is recognized on this basis, except where the assets invested or sold constitute a business. Unrealized internal transaction losses incurred with the investee are recognized in full if they belong to asset impairment losses.

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In recognizing the share of net loss incurred by the associates or joint ventures, not only the company has the obligation to bear extra losses, but also the carrying value of long-term equity investments and other long-term interests that substantially constitute a net investment in the associates or joint ventures are written down to zero. If the associates or joint ventures achieve net profit in subsequent periods, the company resumes recognition of revenue sharing after the revenue sharing amount makes up for the unrecognized loss sharing amount.

### (3) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized in profit or loss for the period.

For partial disposal of long-term equity investment accounted by equity method, if the remaining equity is still accounted by equity method, other comprehensive income recorded in previous equity method shall be transferred in proportion on the same basis as the investee's direct disposal of relevant assets or liabilities, and other changes in owner's equity shall be transferred into the loss or profit in proportion.

For loss of joint control or significant influence in the investee due to reasons such as disposal of part of the equity investment, other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities. Other changes in owner's equity shall be transferred to the current profit and loss when the equity method is terminated.

For loss of control in the investee due to reasons such as disposal of part of the equity investment, if remaining shareholding can apply common control or impose significant influence to the investee, it shall be accounted for under equity method when preparing individual financial statements, as well as be treated as accounting for under equity method since the shareholding is obtained make adjustment. The other comprehensive income recognized before taking control of the investee shall be carried forward in portion on the same accounting basis as the investee directly disposing related assets or liabilities, and other changes in owner's equity under the equity method shall be carried forward to the current profit and loss in proportion. If the remaining equity cannot exercise joint control or exert significant influence on the investee, it shall be recognized as a financial asset, and the difference between its fair value and book value on the date of loss of control shall be included in the current profits and losses. Other comprehensive income and other changes in owner's equity recognized before obtaining the control of the investee shall be carried forward in full.

If the transactions from the step-by-step disposal of equity to the loss of controlling equity fall under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognized as other comprehensive income and transferred to profit or loss upon loss of control. If the transaction do not fall under a series of transactions, the Company shall separately carry out accounting treatment for each transaction.

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### *(15) Investment properties*

Investment properties are properties held to earn rentals or for capital appreciation, or both, which include the leased land use right, the land use right held and ready to be transferred after appreciation and buildings that have been leased out (including the buildings used for leasing after the completion of self-construction or development activities and the buildings used for leasing in the future in the process of construction or development).

Subsequent expenditures related to investment properties are included in the cost of investment properties if it is probable that the economic benefits associated with the asset will flow and the cost can be measured reliably. Otherwise, the expenditures are charged to the current profit or loss as incurred.

The Company uses the cost model to measure the existing investment properties. For “the investment properties- buildings for rent” on the cost model, the same depreciation policy as the fixed assets in the Company is adopted, and the land right for rent is implemented according to the same amortization policy as intangible assets.

### *(16) Fixed assets*

#### *1. Recognition and initial measurement of fixed assets*

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

- (1) It is probable that the related economic benefits of fixed assets will flow to the company;
- (2) The costs of fixed assets can be reliably measured.

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

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

#### *2. Depreciation method*

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

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

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

### *3. Basis of recognition and valuation method of fixed assets leased under finance*

An asset is recognized as a finance lease if the terms of the lease agreement entered into by the company and the leaser provide for one of the following conditions:

- (1) The ownership of the leased asset vests in the Company at the end of the lease term.
- (2) The Company has an option to purchase the asset for a purchase price substantially less than the fair value of the asset at the time the option is exercised.
- (3) The lease term represents the majority of the useful life of the asset being leased.
- (4) The present value of the minimum lease payments at the inception date of the lease is not significantly different from the fair value of the asset.
- (5) The leased asset is of a special nature and can only be used by the lessee if no major modifications are made.

The Company records the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception date of the lease as the recorded value of the leased asset and the minimum lease payments as the recorded value of the long-term payable, with the difference recorded as an unrecognized finance charge.

### *4. Disposal of fixed assets*

Fixed assets are derecognized when being disposed of, or expected no economic benefits will be generated through use or disposal of Proceeds from the disposal of fixed assets on sale, transfer, retirement or destruction, net of their carrying amount and related taxes, are included in profit or loss for the current period.

### *(17) Construction in progress*

The cost of construction in progress is determined on the basis of actual construction expenditures, including construction costs, installation costs, borrowing costs capitalized and other necessary expenses before the construction reaches its intended usable state.

Construction in progress is transferred to the fixed assets when it reaches the intended usable state, and the depreciation shall be accrued from the following month.

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### *(18) Borrowing costs*

#### *1. Principles for recognition of capitalized borrowing costs*

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the relevant assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss in accordance with the amounts incurred.

Assets eligible for capitalization are assets such as fixed assets, investment properties and inventories that require a substantial time period for their acquisition or production activities to reach their intended use or saleable condition.

#### *2. Period of capitalization of borrowing costs*

The capitalization period is the period from the point at which capitalization of borrowing costs commences to the point at which capitalization ceases, excluding the period during which capitalization of borrowing costs is suspended.

Capitalization of borrowing costs commences when both of the following conditions are met:

- (1) Asset expenditures were incurred, which include expenditure from cash paid, non-cash assets transferred or interest-bearing debts assumed for the acquisition or production of an asset eligible for capitalization;
- (2) Borrowing costs were incurred;
- (3) Necessary acquisition or production activities were carried out to bring an asset to reach its intended use or saleable condition.

Borrowing costs cease to be capitalized when the acquisition or production of an asset eligible for capitalization reaches its intended use or saleable condition.

#### *3. Suspension of capitalization of borrowing costs*

Borrowing costs are suspended when there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization that lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended usable or saleable condition, the borrowing costs continue to be capitalized. Borrowing costs incurred during the period of interruption are recognized in profit or loss, and the costs continue to be capitalized until construction of assets or production activities resumed.

#### *4. Calculation of the capitalization rate and capitalized amount of borrowing costs*

Where funds are borrowed under a specific-purpose borrowings for the acquisition or production of an asset eligible for capitalization, the capitalized amount of borrowing costs is the actual expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.



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Where funds are borrowed under general-purpose borrowings for the acquisition or production of an asset eligible for capitalization, the amount of borrowing costs to be capitalized for general borrowings is calculated by multiplying the weighted average amount of asset expenditure in excess of the portion of accumulated asset expenditure over special borrowings by the capitalization rate of the general borrowings taken up. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Exchange differences on the principal and interest on special borrowings in foreign currencies during the period of capitalization are capitalized and included in the cost of the assets eligible for capitalization. Except the foreign currency special borrowings, the exchange differences arising on the principal of and interest on other foreign currency borrowings are included in profit or loss for the period.

### ***(19) Intangible assets***

#### ***1. Valuation method of intangible asset***

(1) An intangible asset is initially measured at cost when it is acquired by the Company

The cost of an externally acquired intangible asset comprises the purchase price, related taxes and other expenditures directly attributable to bringing the asset to its intended use.

#### ***(2) Subsequent measurement***

The useful life of an intangible asset is analyzed at the time of acquisition.

Tangible assets with finite useful lives are amortized over the period in which they will generate economic benefits for the enterprise. Intangible assets with indefinite useful lives are not amortized if it is not foreseeable that they will provide economic benefits to the enterprise.

#### ***2. The estimation of intangible assets with finite useful lives***

The useful life and amortization method of intangible assets with finite useful lives are reviewed at the end of each year.

#### ***3. The judgment basis of intangible assets with indefinite useful lives and procedures for reviewing their useful lives***

The Company identifies intangible assets with indefinite useful lives when it is not foreseeable that the asset will provide it economic benefits to the company, or when the useful life of the asset is uncertain.

Judgments on the basis of indefinite useful life: (i) derived from contractual rights or other legal rights, but there is no clear useful life under the contract or the law; (ii) the period during which the intangible asset brings economic benefits to the Company still cannot be judged after taking into account the situation in same industries or relevant expert arguments, etc.



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At the end of each year, a review of the useful lives of intangible assets with indefinite useful lives is conducted, mainly on a bottom-up basis, by the relevant departments using the intangible assets, to evaluate whether there are changes in the basis for determining indefinite useful lives, etc.

### *4. Specific criteria for classifying the research and development phases*

Expenditure on research and development projects within the Company is divided into research phase expenditure and development phase expenditure.

Research phase: The stage of original and planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Development phase: The stage in which research results or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

### *5. Specific conditions for capitalization of development stage expenditure*

Research stage expenditures are charged to current profit or loss as incurred. Expenditure in the development phase is recognized as an intangible asset if it meets both of the following conditions, otherwise it is charged to current profit or loss:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) There is an intention to complete the intangible asset and use or sell it;
- (3) The manner in which intangible assets generate economic benefits, including the ability to demonstrate the existence of a market for the product produced using the intangible asset or for the intangible asset itself and, where the intangible asset will be used internally, the ability to demonstrate its usefulness;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) The expenditure attributable to the development stage of the intangible asset can be measured reliably;

Where it is impossible to distinguish between research phase expenditure and development phase expenditure, all research and development expenditures incurred are charged to current profit or loss.

### *(20) Impairment of long-term assets*

Long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, oil and gas assets and other long-term assets are tested for impairment if there is an indication of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment is made for the difference and an impairment loss is recorded.

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The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's estimated future cash flows. Provision for asset impairment is calculated and recognized on an individual asset basis or, if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest combination of assets that can generate cash inflows independently.

Goodwill arising from business combinations, intangible assets with indefinite useful lives and intangible assets that have not yet reached a usable condition are tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

The Company performs goodwill impairment testing and the carrying value of goodwill arising from a business combination is apportioned to the relevant group of assets from the date of purchase in accordance with a reasonable method; if it is difficult to apportion to the relevant group of assets, it is apportioned to the relevant group of asset combination. A relevant group of assets or a combination of groups of assets can benefit from the synergies of a business combination.

When testing for impairment of a relevant group of assets or a combination of groups of assets that includes goodwill, if there is an impairment, the group of assets or combination of groups of assets that does not include goodwill is first tested, the recoverable amount is calculated and compared with the relevant carrying amount, and a corresponding impairment loss is recognized. Impairment test is then carries out on the asset group or combination of asset groups containing goodwill and compared its book value with the recoverable amount. If the recoverable amount is lower than the book value, the amount of impairment loss shall first offset the book value of goodwill allocated to the asset group or combination of asset groups, and then offset the book value of other assets in proportion according to the proportion of the book value of other assets in the asset group or combination of asset groups except goodwill.

The above impairment losses on assets, once recognized, will not be reversed in subsequent accounting periods.

### ***(21) Long-term amortized expenses***

Long-term amortized expenses are expenses that have been incurred but should be borne by the current and future periods and are apportioned over a period of more than one year. The Company's long-term amortized expenses include renovation costs, consulting services and tooling, etc.

#### ***1. Amortization method***

Long-term amortized expenses are amortized evenly over the benefit period of the expense item.

#### ***2. Amortization period***

The amortization period is determined based on the period of earnings and if a long-term amortization item does not benefit subsequent accounting periods, the amortized value of the unamortized item is transferred to current profit or loss in full.

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### ***(22) Contract liability***

*Accounting policy after 1 January 2020*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligation of it and the payment by the customer. The Company's obligations to transfer goods or provide services to customers for consideration received or receivable from customers are shown as contractual liabilities. The contract assets and contract liabilities are presented under the same contract on a net basis.

### ***(23) Employee benefits***

#### *1. Accounting treatment of short-term employee benefits*

During the accounting period when employees provide services, the Company shall recognize the short-term employee compensation actually incurred as liability and record it in the current profits and losses or relevant asset costs.

Employee benefits of the Company include social insurance charges, housing provident funds, labor union expenditures and the personnel education funds. The Company shall determine the welfare benefits in accordance with the prescribed allocation base and ratio required by corresponding regulations during the accounting period when the employees provide services.

The employee welfare expenses incurred by the Company shall be recorded in the current profits and losses or relevant asset costs according to the actual amount; where the employee welfare is non-monetary, it shall be measured at the fair value.

#### *2. Accounting treatment for post-employee benefits*

##### **(1) Defined contribution plan**

According to relevant regulations of the local government, the Company shall pay the basic endowment insurance and unemployment insurance for the employees. During the accounting period when the employees provide services, the payable amount shall be calculated according to the payment base and proportion required by the local regulations. The payable amounts are recognized as liabilities and included in the current profits and losses or relevant asset costs. In addition, the Company also participates in the enterprise annuity plan/supplementary pension fund approved by the relevant national departments. The Company shall pay to the annuity plan/local social insurance institution in accordance with the prescribed percentage of the total wages, and the corresponding expenditure shall be included in the current profits and losses or related asset costs.

##### **(2) Defined benefit plan**

The Company shall determine the welfare obligations generated by the defined benefit plan to vest in the period that the employees render services according to the projected accumulated benefit unit method and include them in the current profits and losses or relevant asset cost.

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The deficit or surplus generated from the present value of defined benefit plan obligation less the fair value of the defined benefit asset is recognized as a net defined benefit liability or net defined benefit asset. When the Company has a surplus in the defined benefit plan, it shall measure the net defined benefit asset at the lower level of the surplus in the defined benefit plan and the asset ceiling.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period for which the employee provides services, are discounted by the market yield of treasury bonds or quality corporate bonds in the active market of the same term and currency on the balance sheet date and under the terms of the defined benefit plan.

Service costs arising from the defined benefit plan and the net interests of net defined benefit liability or net defined benefit asset are included in the current profits or losses or relevant asset costs; changes in the remeasurement of the net defined benefit liability or net defined benefit asset are included in other comprehensive income and are not transferred to profits and losses during the subsequent accounting period, and all the parts originally included in other comprehensive income are transferred to undistributed profits within equity at the termination of the original defined benefit plan.

At the timing of settlement of the defined benefit plan, the gain or loss on a settlement is the difference between the present value of the defined benefit plan obligation being settled and the settlement price determined on the settlement date.

### *3. Accounting treatment of termination benefits*

The Company shall recognize a liability and expense for termination benefits in profit or loss at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits for its unilaterally termination of labor relationship plan or layoff; and when the Company recognizes costs for a restructuring and involves the payment of termination benefits.

#### ***(24) Estimated liabilities***

Any obligations related to contingent matters meet the following conditions, a provision shall be recognized:

- (1) The Company has a present obligation as a result of a past event;
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (3) A reliable estimate can be made of the amount of the obligation.

The provisions are initially measured at the best estimate of the expenditures required to settle the relevant present obligations.

When determining the best estimate, consider factors such as contingent risks, uncertainties and time value of money related to contingencies. Where the effect of the time value of money is material, the amount of a provision shall be the determined after discounting the relevant future cash flows.

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Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used; in other cases, the best estimate is treated separately:

If the contingent events involve a single project, it shall be determined according to the most likely amount.

If they involve multiple items, it shall be determined according to various possible results and relevant probabilities.

If all or part of the expenses required to settle the provisions are compensated by a third party, the compensation amount shall be recognized separately as an asset when it is expected to be received, and the recognized compensation amount shall not exceed the book value of the provisions.

The Company reviews the book value of the provisions on each balance sheet date, and if there is conclusive evidence that the book value does not reflect the current best estimate, the book value shall be adjusted to reflect the current optimal estimate.

### ***(25) Share-based payment***

The share payment of the Company is a transaction that grants equity instruments or assumes equity-based liabilities to obtain services provided by employees or other parties. The share payment of the Company is the payment of the shares settled in equity.

#### ***1. Share payment and equity instruments settled by equity***

Where the share payment of equity settlement is exchanged for the service provided by the employee, it shall be measured at the fair value of the equity instrument granted to the employee. For the share payment transaction with the viable right immediately after the grant, the Company shall recognize relevant costs or expenditures according to the fair value of the equity instrument on the grant date, with a corresponding increase in equity. For the service within the vesting period after the service or share options conditioned upon the achievement of the specified performance conditions, on each balance sheet date of the vesting period, the Company, according to the best estimate of the number of equity instruments, shall account for the current services in the relevant costs or expenditures according to the fair value, with a corresponding increase in equity.

If the terms of the share payment settled by equity are modified, the services obtained are confirmed at least in accordance with the unmodified terms. In addition, any increase in the fair value of the granted equity instrument or any change that is favorable to the employee on the date of modification is confirmed.

During the vesting period, if the granted equity instrument is cancelled, the Company shall account for the cancellation as an acceleration of vesting, and shall therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period into the current profits and losses, with a corresponding increase in equity. However, if a new equity instrument is granted, and on the grant date, the new equity instrument granted is used to replace the cancelled equity instrument, the alternative equity instrument granted is processed in the same way as the terms and conditions of the original equity instrument.

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### 2. *Share payment and equity instruments settled by cash*

The share-based payment settled in cash shall be measured according to the fair value of liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company. For the share payment transaction with the viable right immediately after the grant, the Company shall recognize relevant costs or expenditures according to the fair value of the assumed liabilities, and increase the liabilities accordingly. For granted after complete performance conditions waiting period of service or meet the vesting share-based payment transactions, in the waiting period for each of the balance sheet date, the Company will record the services acquired in the current period into the relevant costs or expenses and record the corresponding liabilities based on the best estimate of the practicable rights and the fair value of the liabilities assumed by the Company. On each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of the liabilities shall be re-measured, and the changes shall be recorded into the current profits and losses.

### ***(26) Preferred shares, perpetual bonds and other financial instruments***

The Company issues convertible corporate bonds to determine whether and not they contain both liabilities and interests according to the terms. If the convertible corporate bonds issued contain both liabilities and equity components, the liabilities and equity components shall be split off and processed separately upon initial recognition. In the split, the fair value of the liability component is determined and taken as the initial recognized amount, and then the initial recognized amount of the equity component is determined according to the overall issue price of the convertible corporate bonds after deducting the initial recognized amount of the liability component. Transaction costs are apportioned between the liability and equity components at their respective relative fair value. The liability components are listed as liabilities and subsequently measured at amortized cost until withdrawn, converted or redeemed. Equity components are listed as equity and are not measured.

### ***(27) Revenue***

#### *Accounting policy after 1 January 2020*

#### 1. Accounting policy adopted in revenue recognition and measurement

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

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

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

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

- The customer shall obtain and consume the economic benefits brought by the Company during the performance of the Company.
- The customer can control the goods under construction during the performance process.
- The commodities produced by the Company during the performance of the contract have irreplaceable purposes, and the Company has the right to collect money for the accumulated part of the contract that has been completed throughout the whole contract period.

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

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

- The Company has the present right to payment collection for the goods or services, that is, the customer has a present payment obligation for the goods or services.
- The Company has transferred legal title to the merchandise to the customer, meaning that the customer already has legal title to the merchandise.



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- The Company has transferred the commodity to the customer, namely the customer has physical possession of the commodity.
- The Company has transferred the main risks and reward in the ownership of the commodity to the customer, who has acquired the main risks and reward in the ownership of the commodity.
- The customer has accepted the goods or services, etc.

### 2. *Specific principles*

- (1) For the goods sold by distribution, the sales income shall be recognized after confirming that the other party has obtained the goods and signed on the logistics documents. The Company shall provide the buyer with the medical equipment distributed by the Company and relevant materials according to the requirements of the contract or agreement, and the sales income is recognized after the acceptance of the buyer;
- (2) The Company shall recognize revenue from selling goods directly to the hospital after the hospital confirms that the goods are used and the invoice is received;
- (3) The Company sells the goods to the agents on a commission basis, and the sales revenue shall be recognized based on the actual usage confirmed by the hospital with the agents on monthly basis or based on the list issued by the agents according to the contract;
- (4) For medical equipment sold by means of installment settlement, the amount of commodity sales revenue shall be determined according to the fair value of the receivable contract or agreed price after completing the installation and debugging of the medical equipment and passing the inspection;
- (5) The Company is engaged in the finance lease business. At the start of the lease date, the Company records the value of the finance lease receivable as the sum of the minimum lease collection and the initial direct expenses, and records the unguaranteed residual value. The unearned finance lease income, being the difference between the sum of the finance lease receivable and unguaranteed residual value and its present value, is allocated over the lease term, and the finance lease income for each period during the lease term is recognized accordingly. The Company adopts the effective interest rate method to calculate the lease income of the current period. In the case that the unguaranteed residual value decreases and its determined losses are recovered, the interest rate implicit in the lease (effective interest rate) shall be recalculated, and the lease income shall be remeasured based on the revised net lease investment and the revised interest rate implicit in the lease; no adjustment is made when the unguaranteed residual value increases. The contingent rent received by the Company under the finance lease is recognized as the current profits and losses at the time of the actual occurrence. The commission income under the financial lease is recognized when the relevant labor provision is completed and the income can be reasonably estimated.



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### *Accounting policy before 1 January 2020*

#### 1. General principles of revenue recognition for goods sold

- (1) The company has transferred the principal risks and rewards of ownership of the goods to the purchaser;
- (2) The Company neither retains the right of continued management associated with ownership nor effective control over the goods sold;
- (3) The amount of income can be measured reliably;
- (4) The related economic benefits are likely to flow to the Company;
- (5) Related, incurred or to be incurred costs can be measured reliably.

#### 2. Specific principles

- (1) The Company confirms the sales revenue of the goods sold to the distributor by means of distribution upon receipt of the distributor's order and delivery of the goods;
- (2) For the products sold by the Company to the distributors through commission method, the hospital confirms the actual usage with the distributors monthly, and then the Company will settle accounts with the distributors to confirm the sales revenue;
- (3) The Company sales the commodities directly to the hospital. The Company delivers the invoices and bills to the hospital and then confirm the sales revenue of the commodities, after the hospital confirms that the commodities have been used;
- (4) The Company distributes the medical equipment to the agency. According to the requirements of the contract or agreement, the Company deliver the related equipment and files to the purchaser. The Company confirms the sales revenue after the purchaser complete qualified acceptance;

For medical equipment sold through installment collection and settlement, the Company confirms the sales revenue based on the fair value of the contractual or agreed price receivable upon completing the installation and commissioning of, and passing the inspection of, the medical equipment;

- (5) The Company is engaged in the finance lease business. At the start of the lease date, the Company records the value of the finance lease receivable as the sum of the minimum lease collection and the initial direct expenses, and records the unguaranteed residual value. The unearned finance lease income, being the difference between the sum of the finance lease receivable and unguaranteed residual value and its present value, is allocated over the lease term, and the finance lease income for each period during the lease term is recognized accordingly. The Company adopts the effective interest rate method to calculate the lease income of the current period. In the case that the unguaranteed residual value decreases and its determined losses are recovered, the interest rate implicit in the lease (effective interest rate) shall be recalculated, and the lease income shall be remeasured based on the revised net lease investment and the revised interest rate implicit in the lease; no adjustment is made when the unguaranteed residual value increases. The contingent rent received by the Company under the finance lease is recognized as the current profits and losses at the time of the actual occurrence. The commission income under the financial lease is recognized when the relevant labor provision is completed and the income can be reasonably estimated.

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3. The recognition principle and measurement method of income from providing labor services
  - (1) The revenue from labor services is recognized after the services have been completed. Meanwhile the economic benefits associated with the services are likely to flow to the Company and the related revenues and costs can be measured reliably.
  - (2) In the case that the completion progress and results of the transaction can be reliably estimated on the balance sheet date, and the costs incurred and to be incurred in the transaction can be reliably measured, the percentage of completion method is adopted to recognize the income from the provision of labor services.
  - (3) In the case that the transaction result cannot be reliably estimated on the balance sheet date, if the incurred labor cost is expected to be compensated, the labor income provided shall be recognized according to the amount of the labor cost incurred and carried forward to the labor cost at the same amount. If the incurred labor cost is not expected to be compensated, it should be included in the profit and loss of the current period and labor income will not be recognized.
4. The basis for confirming the income from the transferred use-right of assets

The Company recognizes the income from the transfer of the use right of assets under the following conditions respectively:

- (1) Interest income shall be calculated and determined according to the time and effective interest rate when others use the money funds of the Company;
- (2) Royalty income shall be calculated and determined in accordance with the charging time and method stipulated in relevant contracts or agreements.

### **(28) Contract cost**

#### *Accounting policy after 1 January 2020*

Contract cost includes contract performance cost and contract acquisition cost.

If the costs incurred by the Company to achieve the performance of the Contract do not fall within the scope of inventory, fixed assets or intangible assets, it shall be recognized as an asset when the following conditions are met:

- This cost is directly related to a current or expected contract.
- This cost increases the resources of the Company to be used to fulfill its future performance obligations.
- The cost is expected to be recovered.

If the Company is expected to recover the incremental cost incurred in obtaining the contract, it shall be included in the contract acquisition cost that is recognized as an asset.

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The assets related to the contract cost shall be amortized on the same basis as the income recognition of goods or services related to the assets; however, if the amortization period of the contract acquisition cost does not exceed one year, the Company shall include them in the current profits and losses upon occurrence.

If the book value of the assets related to the contract cost is higher than the difference between the following items, the Company shall make provision for impairment of the excess part and confirm it as an asset impairment loss:

1. Residual consideration expected to be obtained from the transfer of goods or services related to the asset;
2. Estimated costs arising from the transfer of the related goods or services.

If the impairment factors in the previous period change later so that the aforementioned difference is higher than the book value of the asset, the Company shall reverse the previously recognized impairment provision and account into the current profits and losses, but the book value of the asset cannot reverse to higher than where it would have been absent an impairment.

### ***(29) Government subsidy***

#### *1. Type*

Government subsidy consist of monetary or non-monetary assets obtained from the government, which is divided into asset-related government subsidies and revenue-related government subsidies.

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

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

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

#### *2. Confirmation point*

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

- (1) The Company can meet the conditions attached to the government subsidies;
- (2) The Company can receive government subsidies.

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### 3. *Accounting treatment*

Asset-related government subsidies shall offset the book value of the relevant assets or be recognized as deferred income. If recognized as deferred income, the current profits and losses during the service life of relevant assets in a reasonable and systematic method (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income);

Revenue-related government subsidies used to compensate the Company for related costs or losses of the future period shall be recognized as deferred income, and shall be included in the current profit and loss (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income) or offset relevant costs or losses during the period when they are recognized; those used to compensate the Company for related costs or losses already incurred shall be included in the current profit and loss (those related to the daily activities of the Company shall be included in other earnings; if unrelated to the daily activities of the Company, it shall be included in non-operating income) or offset relevant costs or losses.

The policy preferential loans obtained by the Company are divided into the following two situations and should be treated separately:

- (1) If the government allocates the discount interest funds to the lending bank, and the lending bank provides loans to the Company at the policy preferential interest rate, the Company shall take the actual loan amount received as the entry value of the loan, and calculate the relevant loan expenses according to the loan principal and the policy preferential interest rate.
- (2) If the government directly allocates the discount interest funds to the Company, the Company will deduct the relevant loan expenses with the corresponding discount interest.

### ***(30) Deferred income tax assets and deferred income tax liabilities***

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

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

The deferred income tax assets shall be recognized for the deductible temporary difference to the extent that the future taxable income is likely to be obtained for deducting deductible temporary difference. For the deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the future taxable income is likely to be used to offset the deductible losses and tax credits.

For the taxable temporary differences, the deferred income tax liabilities are recognized, except in special circumstances.

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No recognition of deferred income tax assets or deferred income tax liabilities may include:

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

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

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

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

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

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

- The tax payer has the legal right to net settle the current income tax assets and the current income tax liabilities;
- Deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration department of the same tax subject income tax related or related to different tax subject, but in the future period of every important deferred income tax assets and liabilities, involving the tax subject intention to netting current income tax assets and liabilities or assets, liabilities at the same time.

### ***(31) Lease***

#### *Accounting policy after 1 January 2021*

Lease refers to a contract in which the lessor gives the use right of the assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets for a certain period in exchange for consideration, the contract is a lease or contains a lease.

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If the contract also contains a number of separate leases, the Company shall split the contract and treat each lease separately. Where the contract contains both the leased and non-leased parts, the lessee and the lessor shall split the leased and non-leased parts.

For rent reductions and deferred payments on existing lease contracts directly caused by the COVID-19 outbreak, and while meeting the following conditions, the Company will not evaluate any lease changes or reevaluate the classification of lease under simplified method:

The lease consideration after the concession is reduced or basically unchanged before the concession, among which, the lease consideration is not discounted or discounted at the discount rate before the concession;

- The reduction is for the lease payments payable before 30 June 2022 only, the increase or decrease of lease payments due after 30 June 2022 does not affect the satisfaction of the condition; and
- After considering the qualitative and quantitative factors, the other terms and conditions of the lease have no major changes.

1. The Company as the lessee

(1) Right-of-use assets

At the commencement date, the Company recognizes the right-of-use assets for leasing other than short-term leasing and low-value assets. The right-of-use assets are initially measured at costs. The cost of the right-of-use asset shall comprise:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received (if any);
- Any initial direct costs incurred by the Company;
- Any estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company shall subsequently adopt the straight-line method to depreciate the right-of-use assets. For the ownership of the leased assets at the expiration of the lease term, the Company shall draw depreciation within the remaining useful life of the leased assets; otherwise, the Company shall depreciate the leased assets from the earlier of the lease term or the remaining useful life of such leased assets.

The Company shall determine whether the impairment of the right-of-use assets has occurred in accordance with the principle of note “III. (20) Impairment of long-term asset”, and account for the recognized impairment loss.

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### (2) Lease liabilities

At the commencement date, the Company recognizes the lease liabilities for leasing other than short-term leasing and low-value assets. The lease liabilities are initially measured at the present value of the outstanding lease payments. The lease payment includes:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be payable by the under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company adopts the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, its incremental borrowing interest rate will be used as the discount rate.

The Company calculates the interest expense of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in the current profits and losses or relevant asset costs.

Variable lease payments not included in the measurement of lease liabilities are included into current gains and losses or relevant asset costs upon actual occurrence.

After the commencement date, if the following circumstances occur, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the current profit and loss:

When the appraisal result of the purchase option, renewal option or termination option changes, or the actual exercise of the foregoing option is inconsistent with the original appraisal result, the Company remeasures the lease liabilities at the present value calculated by the changed lease payment and the revised discount rate;

In the event of changes in the substantial fixed payment, the expected amount payable of the guarantee allowance, or the index or ratio used to determine the amount of lease payment, the Company shall remeasure the lease liabilities according to the present value of the changed lease payment and the original discount rate. However, if the change in the lease payment comes from the change in the floating rate, the present value is calculated using the revised discount rate.



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### (3) Short-term lease and low-value asset leasing

The Company chooses not to recognize the right-of-use assets and lease liabilities for the short-term lease and low-value asset lease, and includes the relevant lease payment into the current profits and losses or the relevant asset cost in the straight-line method during each period of the lease term. Short-term lease refers to a lease at the commencement of lease, not exceeding 12 months and without the purchase option. Low-value asset lease refers to the lease with low value when a single leased asset is a new asset. If the Company sublets or expects to sublet the leased assets, the original lease is not a low-value asset lease.

### (4) Lease modifications

If a lease is changed and the following conditions are met, the Company will account for the lease change as a separate lease.

- The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- The increased consideration is equivalent to the separate price of the expanded portion of the lease scope adjusted for the circumstances of that contract.

If a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reapportioned the consideration of the modified contract, redetermined the lease term, and remeasured the lease liability based on the present value of the modified lease payments and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying value of the right-of-use asset accordingly and recognizes the gain or loss related to the partial termination or complete termination of the lease in the profit or loss for the current period. If other lease changes result in the remeasurement of the lease liability, the Company adjusts the carrying value of the right-of-use asset accordingly.

### (5) COVID-19-related rent reductions

For those leases that use the simplified rent reduction method related to COVID-19, the Company does not evaluate whether the lease changes have occurred, and continues to calculate the interest expense of the lease liabilities according to the discount rate consistent with the one before the reduction and include it into the current profits and losses, and continues to depreciate the right-of-use assets in accordance with the same method as the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached to terminate the original rent payment obligation, the Company shall offset the relevant asset cost or expense at the pre-discounted amount and adjust the lease liabilities accordingly; if the rent payment is delayed, the Company shall offset the previously recognized lease liability upon the actual payment.



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For short-term lease and low-value asset lease, the Company continues to include the original contract rent into the relevant asset cost or expenses based on the method used prior to the reduction. In case of rent reduction, the Company shall use the reduced rent as the variable lease payment and offset the relevant asset costs or expenses during the reduction period; if the rent payment is delayed, the Company shall recognize the rent payable during the original payment period and offset the previously recognized amount payable upon the actual payment.

### 2. The Company as the lessor

At the commencement date, the Company divides the lease into finance lease and operating lease. Finance lease refers to a lease that essentially transfers almost all the risks and rewards of the ownership of the leased assets, regardless of whether the ownership is ultimately transferred or not. Operating lease refers to a lease other than a finance lease. When the Company is the sublease lessor, the transfer lease is classified based on the right-of-use assets generated by the original lease.

#### (1) Accounting treatment of operating leasing

The lease collection amount of the operating lease is recognized as rental income according to the straight-line method during each period of the lease term. The Company will capitalize the initial direct expenses related to the operating lease and apportion them into the current profits and losses during the lease term on the same basis as the rental income recognition. Variable lease payments not included in lease are recorded in the current profits and losses upon actual occurrence. In case of any change in the operating lease, the Company shall treat it as a new lease from the effective date of the change, and the amount received in advance or lease receivable related to the lease before the change shall be regarded as the amount of the new lease.

#### (2) Accounting treatment of finance leasing

At the commencement date, the Company recognizes the finance lease receivable and stop the recognition of the finance lease assets. When the Company initially measures the financial lease receivable, the net lease investment is the entry value of the financial lease receivable. The net lease investment is the sum of the present value (discounted based on the interest rate implicit in the lease) of the non-guaranteed residual value and the lease amount that is not received at the commencement of the lease.

The Company calculates and recognizes interest income for each period of the lease term at fixed periodic interest rates. The termination of recognition and impairment of finance lease receivables shall be treated in accordance with note “III. (10) Financial Instruments”.

Variable lease payments not included in the net lease investment are recorded into the current profits and losses upon actual occurrence.

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If the finance lease is changed and meets the following conditions, the Company shall treat the change as a separate lease:

- This change expands the lease scope by increasing the right to use one or more leased assets;
- The added consideration is equal to the separate price of the extended part of the lease adjusted for the circumstances of the contract.

If the change of finance lease is not treated as a separate lease, the Company shall handle the changed lease under the following circumstances:

- If the change takes effect on the beginning date of the lease and the lease will be classified as operating lease, the Company shall account it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the lease assets;
- If the change takes effect on the start date of the lease and the lease will be classified as a finance lease, the Company shall account it in accordance with the policy of this note "III, (10) Financial Instruments" on the modification or re-agreement of the contract.

### (3) COVID-19-related rent reductions

For operating lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize original contract rent based on the method used prior to the reduction as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount and reduce the rental income during the reduction periods; if the rent payment is delayed, the Company shall recognize original contract rent as lease receivable and reduce the previously recognized lease receivable upon the actual receipt.

For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize interest income calculated based on previous discount rate as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount. When the reduction agreement is reached, and the original rent payment obligation is waived, the Company shall reduce the previously recognized lease income based on the pre-discounted amount or discounted amount prior to the reduction. The Company records the insufficient offset as investment income and adjusts corresponding lease receivable; if the rent payment is delayed, the Company shall reduce the previously recognized lease receivable upon the actual receipt.

### 3. Sales and leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale-lease-back transaction is sales according to the principle described in note "III. (27) Revenue".

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### (1) As the lessee

If the asset transfer in the sale-lease-back transaction is for sale, the Company as the lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the asset transfer in the sale-lease-back transaction is not for sale, the Company shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. For accounting treatment of financial liabilities, see this note "III. (10) Financial Instruments".

### (2) As the lessor

If the asset transfer in the sales and leaseback transaction is the sale, the Company as the lessor shall account for the purchase of the asset and for the lease applying the "2. The Company acts as the lessor" policy; If the asset transfer in the sale-lease-back transaction is not for sale, the Company as the lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. For accounting treatment of financial assets, please refer to note "III. (10) Financial Instruments".

### *Accounting policy before 1 January 2021*

Leasing is divided into financial lease and operating lease. A Finance lease is a lease that substantially transfers all the risks and rewards associated with the ownership of the assets. Operating lease refers to a lease other than a financial lease.

As a result of the COVID-19 pandemic, for the current lease contract that rent reduction or rent delay agreement has been reached, and that satisfies the following conditions, the Company shall adopt a simplified method for all lease options and does not evaluate any lease changes or re-evaluate the lease classification:

- The lease consideration after the concession is reduced or essentially unchanged before the concession, among which, the lease consideration is not discounted or discounted at the discount rate before the concession;
- The reduction is only for the lease payments payable before 30 June 2021, the increase of lease payments after 30 June 2021 does not affect the satisfaction of such condition, and the decrease of lease payments after 30 June 2021 does not satisfy such condition; and
- After considering the qualitative and quantitative factors, the other terms and conditions of the lease have no major changes.

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### 1. Accounting treatment of operating leasing

- (1) The lease fee paid by the leased assets of the Company shall be apportioned according to the straight-line method during the entire lease period without deducting the lease-free period, and shall be included in the current expenses. The initial direct expenses paid by the Company related to the lease transaction shall be included in the current expenses.

If the asset leaser bears the expenses related to the lease to be borne by the Company, the Company shall deduct this part of the expenses from the total rent amount and share the deducted rent expenses during the lease term and include them in the current expenses.

For operating leases using the simplified method of COVID-19 related rent reduction, the Company continues to include the original contract rent into the relevant asset costs or expenses based on the method used prior to the reduction. In case of rent reduction, the Company shall take the reduced rent into profits and losses during the reduction period; if the rent is delayed, the Company shall recognize the rent payable during the original payment period and offset the previously recognized payable upon the actual payment.

- (2) The lease fee charged by the leased assets of the Company shall be apportioned according to the straight-line method during the entire lease period without excluding the lease-free period, and shall be recognized as the lease-related income. The initial direct expenses paid by the Company related to the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and included in the current income based on the same basic income recognized during the entire lease period.

If the Company bears the expenses related to the lease that should be borne by the lessee, the Company shall deduct the expenses from the total rental income and allocate the deducted rent expenses during the lease period.

For operating lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize original contract rent based on the method used prior to the reduction as lease income. In case of rent reduction, the Company shall take the reduced rent as the variable lease payment amount and reduce the rental income during the reduction periods; if the rent payment is delayed, the Company shall recognize original contract rent as lease receivable and reduce the previously recognized lease receivable upon the actual receipt.

### 2. Accounting treatment of finance leasing

- (1) Assets leased in under finance leasing: the Company shall record the lower of the fair value of the leased assets and the present value of the minimum lease payments in an account on the commencement date of the lease, record the minimum lease payments in an account as long-term payable, and record the balance between the fair value of the leased assets and the present value of the minimum lease payments in an account as unrecognized financing costs. The Company adopts the effective interest rate method to amortize the unrecognized financing costs during the lease period and record them in the financial costs. The initial direct expenses incurred by the Company shall be recorded in the value of the leased assets.

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For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize the unrecognized financing costs as current financing costs according to the discount rate consistent with the one before the reduction, and continues to depreciate the assets leased in under finance leasing in accordance with the same method as the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as contingent rent. When the reduction agreement is reached to terminate the original rent payment obligation, the Company shall include it in current profit or loss, and adjust corresponding long-term payable, or discount it at the discount rate before the reduction and include the same in current profit or loss, as well as adjust the unrecognized financing costs; if the rent payment is delayed, the Company shall offset the previously recognized long-term payable upon the actual payment.

- (2) Assets leased out under finance leasing: The Company shall, on the commencement date of the lease, recognize the difference between the sum of the finance lease receivable and unguaranteed residual value and the present value thereof as unrealized financing income and recognize the same as lease income over the periods when rent is received in the future. The initial direct expenses incurred by the Company in relation to leasing transactions shall be recorded in the initial measurement of the finance lease receivable and the amount of income recognized in the lease period shall be reduced.

For finance lease that uses the simplified rent reduction method related to COVID-19, the Company continues to recognize the unrealized financing income as lease income according to the interest rate embedded in the lease consistent with the one before the reduction. In case of rent reduction, the Company shall take the reduced rent as contingent rent. When the reduction agreement is reached, and the original rent payment obligation is waived, the Company shall reduce the previously recognized lease income and record the insufficient offset as investment income and adjust corresponding long-term receivable, or discount it at the discount rate before the reduction and include the same in current profit or loss, as well as adjust the unrecognized financing income; if the rent payment is delayed, the Company shall reduce the previously recognized long-term receivable upon the actual receipt.

### ***(32) Termination of business operation***

Termination is a separate component that meets one of the following conditions and has been disposed of or classified in the category of held for sale by the Company:

- (1) The component represents an independent main business or a separate major operating area;
- (2) This component is part of a related plan to dispose of a separate main business or a separate major operating area;
- (3) This component is a subsidiary company acquired exclusively for resale.

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On-going profit and losses are listed separately in the income statement. Operating gains and losses such as impairment loss and turnover amount and disposal gains shall be reported as termination gains and losses. For the termination of operation reported in the current period, the Company shall report the information previously reported as the on-going profits and losses as the termination profit and loss of the comparative accounting period.

### IV. Tax

#### Main taxes and rates

Type	Tax basis	Tax rate (%)		
		2021	2020	2019
VAT . . . . .	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	1,3,5,6,9,13	1,3,5,6,9,13,16	5,6,13,16
Urban maintenance and construction tax . . . . .	Based on value-added tax and consumption taxes paid	5,7	5,7	5,7
Enterprise income tax . . .	Based on taxable profits	15,25	15,25	15,25

Companies subject to different enterprise income tax rates are disclosed as follows:

Name of tax payer	Tax rate (%)		
	2021	2020	2019
Lepu Medical Technology (Beijing) Co., Ltd . .	15	15	15
Lepu Medical Equipment(Beijing) Co., Ltd. . . .	15	15	15
Beijing Tiandi Hexie Technology Co., Ltd . . . .	15	15	15
Lepu Medical Electronics Technology Co., Ltd . . . . .	15	15	15
Shanghai Shape Memory Alloy Material Co., Ltd . . . . .	15	15	15
Jiangsu Brightness Medical Device Co., Ltd . . .	15	15	15
Beijing Lepu Medical Technology Co., Ltd. . . .	15	15	15
Lepu (Beijing) Diagnostics Co., Ltd. . . . .	15	15	15
Yantai Addcare Bio-Tech Limited Company . . .	15	15	15
Shenzhen Sonolepu Medical Technology Co., Ltd . . . . .	15	15	
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd . . . . .	15	15	15
Lepu Pharmaceutical Co., Ltd . . . . .	15	15	15
Lepu Pharmaceutical Technology Co., Ltd . . . .	15	15	15
Lepu Hengjiuyuan Pharmaceutical Co., Ltd . . .	15	15	15

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Name of tax payer	Tax rate (%)		
	2021	2020	2019
Beijing Yongzheng Pharmaceutical Co., Ltd . . .	15	15	15
Zhejiang Lepu Pharmaceutical Co., Ltd . . . . .	15	15	15
Lepu Zhiyao Technology Co., Ltd . . . . .	15	15	15
Beijing Aipuyi Medical Testing Center Co. Ltd . . . . .	15	15	15
Beijing JWJ Science & Technology Development Co., Ltd . . . . .	15	15	15
Lepu Medical (Shenzhen) International Development Center Co., Ltd . . . . .	15	15	
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd) . . . . .	15	15	15
Shenzhen Creative Industry Co., Ltd . . . . .	15	15	15
Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd . . . . .	15	15	
Shenzhen Carewell Electronics Co., Ltd . . . . .	15	15	
Shenzhen Viatom Technology Co., Ltd . . . . .	15	15	15
Sichuan Xingtai Pule Medical Technology Co., Ltd . . . . .	15		
Suzhou Bonsmile Medical Technology Co., Ltd . . . . .	15		
Beijing Huaco Healthcare Technologies Co., Ltd . . . . .	15		
Changzhou Zhiye Medical Devices Institute Co., Ltd . . . . .		15	15
Changzhou Resource Medical Devices Co., Ltd . . . . .		15	15
Wuxi Bokang Medical Apparatus Co., Ltd . . . .		15	15
Jiangsu Changzhou Invent Medical Devices Co., Ltd . . . . .		15	15
IPE Biotechnology Co., Ltd . . . . .		15	

### ***Tax incentives***

- (1) The company was approved as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing Taxation Bureau of Taxation in December 2020. The approval certificate of high-tech enterprise is “GR202011004226”, and the certificate is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.
- (2) Lepu Medical Equipment (Beijing) Co., Ltd. was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Bureau of Taxation and Beijing Municipal Local Taxation Bureau in October 2020. The approval certificate of high-tech enterprise is “GR202011002701”, and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.



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- (3) Beijing Tiandi Hexie Technology Co., Ltd. was approved as high-tech enterprises by Beijing Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing State Taxation Bureau and Beijing Local Taxation Bureau in October 2019. The approval certificate of high-tech enterprises is “GR201911002611” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (4) Lepu Medical Electronics Technology Co., Ltd. was approved as a high-tech enterprise by Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Finance Department and Shaanxi Provincial Taxation Bureau of the State Administration of Taxation in October 2021. The certificate number is “GR202161000568” and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (5) Shanghai Shape Memory Alloy Material Co., Ltd. was approved as a high-tech enterprise by Shanghai Science and Technology Commission, Shanghai Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration in November 2020. The approval certificate number of the high-tech enterprise is “GR202031005228”, which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (6) On 30 December 2021, Jiangsu Brightness Medical Device Co., Ltd. was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Department of Finance of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau on 30 December 2021. The approval certificate of high-tech enterprise is “GR202132006191” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises.
- (7) Beijing Lepu Medical Technology Co., Ltd. was approved as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Municipal Tax Service, State Taxation Administration in October 2021. The approval certificate of high-tech enterprise is GR202111000006, and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (8) Lepu (Beijing) Diagnostics Co., Ltd. was jointly recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration in July 2020. The approval certificate of high-tech enterprise is “GR202011001272” and the period is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (9) Yantai Addcare Bio-Tech Limited Company was approved as a high-tech enterprise by Shandong Provincial Department of Science and Technology, Department of Finance of Shandong Province, Shandong Provincial State Taxation Bureau and Shandong Provincial Local Taxation Bureau on 17 August 2020. The approval certificate of high-tech enterprise is “GR202037000937”, valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.



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- (10) Shenzhen Sonolepu Medical Technology Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Tax Service, State Taxation Administration and Shenzhen Finance Bureau in December 2019. The approval certificate of high-tech enterprise is “GR201944205609” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.
- (11) Shenzhen Lepu Intelligent Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Commission and Shenzhen Tax Service, State Taxation Administration in December 2019. The certificate number is “GR201944205802” and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (12) Lepu Pharmaceutical Co., Ltd. was approved as a high-tech enterprise by the Department of Science and Technology of Henan Province, The Department of Finance of Henan Province, The Provincial Taxation Bureau of Henan Province, and the Local Taxation Bureau of Henan Province in October 2021. The approval certificate of the high-tech enterprise is “GR202141002247”, valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (13) Lepu Pharmaceutical Technology Co., Ltd. passed the high-tech enterprise certification in September 2020, and received the high-tech enterprise certificate by Henan Provincial Technology Department, Henan Provincial Finance Department, Henan Provincial State Taxation Bureau and Henan Provincial Local Taxation Bureau. The certificate number is “GR202041000353”, valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (14) Lepu Hengjiuyuan Pharmaceutical Co., Ltd. which passed the high-tech enterprise certification in September 2020, and received the high-tech enterprise certificate jointly issued by Henan Provincial Department of Technology, Henan Provincial Finance Department, Henan Provincial State Taxation Bureau and Henan Provincial Local Taxation Bureau in September 2020. The certificate number is “GR202041000266”, valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (15) Beijing Yongzheng Pharmaceutical Co., Ltd. passed the high-tech enterprise certification in October 2021, and received the high-tech enterprise certificate jointly issued by Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Bureau, Beijing Municipal Bureau of Taxation and the State Administration of Taxation in October 2021. The certificate number is “GR202111002954”, valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (16) Zhejiang Lepu Pharmaceutical Co., Ltd. was approved as a high-tech enterprise by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial State Taxation Bureau and Zhejiang Provincial Local Taxation Bureau in December 2020. The approval certificate of high-tech enterprise is “GR202033005652”, and the validity period is three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.

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- (17) Lepu Zhiyao Technology Co., Ltd. was approved as a high-tech enterprise by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial State Taxation Bureau and Zhejiang Provincial Local Taxation Bureau in December 2021. The approval certificate of high-tech enterprise is “GR202133001464” and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (18) Beijing Aipuyi Medical Inspection Centre Co., Ltd. was recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing State Taxation Bureau in September 2021. The approval certificate of high-tech enterprise is “GR202111004599”, which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (19) Beijing JWJ Science & Technology Development Co., Ltd. was recognized as a high-tech enterprise by Beijing Science and Technology Commission, Beijing Finance Bureau and Beijing State Taxation Bureau in October 2021. The approval certificate number of high-tech enterprise is “GR202111001140”, which is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (20) Lepu Medical (Shenzhen) International Development Center Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Taxation Bureau of the State Administration of Taxation and Shenzhen Finance Bureau in December 2020. The approval certificate of high-tech enterprise is “GR202044205359” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.
- (21) Shanghai Lepu Cloudmed Co., Ltd (former name: Shanghai Yocaly Health Management Co., Ltd) was approved as a high-tech enterprise by Shanghai Science and Technology Commission, Shanghai Finance Commission and Shanghai Taxation Bureau in October 2019. The certificate number is “GR201931002663” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (22) Shenzhen Creative Industry Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Commission and Shenzhen Taxation Bureau of the State Administration of Taxation in December 2021. The certificate number is “GR202144203071” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (23) Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd. was approved as a high-tech enterprise by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Taxation Bureau in December 2020. The certificate number is “GR202012002228” and valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.

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- (24) Shenzhen Carewell Electronics Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Taxation Bureau of the State Administration of Taxation in December 2020. The certificate number is “GR202044206139” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2020 to 2021.
- (25) Shenzhen Viatom Technology Co., Ltd. was approved as a high-tech enterprise by Shenzhen Science and Technology Innovation Commission, Shenzhen Finance Bureau and Shenzhen Taxation Bureau in December 2019. The certificate number is “GR201944205028” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2021.
- (26) Sichuan Xingtai Pule Medical Technology Co., Ltd. was approved as a high-tech enterprise by Sichuan Department of Science and Technology, Sichuan Department of Finance and Sichuan Taxation Bureau of Taxation in December 2021. The certificate number is “GR202151002878” and is valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.
- (27) Suzhou Bonsmile Medical Technology Co., Ltd. was approved as a high-tech enterprise by Jiangsu Province Department of Science and Technology, Jiangsu Province Finance Department and Jiangsu Province Taxation Bureau of the State Administration of Taxation in December 2019. The certificate number is “GR201932005432” and is valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.
- (28) Beijing Huaco Healthcare Technologies Co., Ltd. was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, and Beijing Municipal Taxation Bureau of the State Taxation Bureau in December 2021. The approval certificate of high-tech enterprise is “GR202111007086” and valid for three years. In 2021, it will enjoy the preferential tax rate of 15% for high-tech enterprises.
- (29) In November 2018, Changzhou Zhiye Medical Devices Institute Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is “GR201832001730” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.
- (30) In November 2018, Changzhou Resource Medical Devices Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is “GR201832006056” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.

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- (31) In December 2019, Wuxi Bokang Medical Apparatus Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is “GR201932006878” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.
- (32) In November 2018, Jiangsu Changzhou Invent Medical Devices Co., Ltd was approved as a high-tech enterprise by the Department of Science and Technology of Jiangsu Province, Jiangsu State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau. The approval certificate of high-tech enterprise is “GR201832006898” and is valid for three years. It enjoyed the preferential tax rate of 15% for high-tech enterprises from 2019 to 2020.
- (33) IPE Biotechnology Co., Ltd was approved as a high-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, and Beijing Municipal Taxation Bureau of the State Taxation Bureau in October 2018. The approval certificate of high-tech enterprise is “GR201811005121” and valid for three years. In 2020, it enjoyed the preferential tax rate of 15% for high-tech enterprises.

### ***Other tax incentives***

- (1) According to the relevant requirements of the *Provisions on Transitional Policies for the Pilot Program of the Collection of Value-Added Tax in Lieu of Business Tax* (Cai Shui [2016] No. 36), the *Circular on Clarifying the Exemption of Elderly Care Agencies from Value-added Tax and Other Policies* (Cai Shui [2019] No. 20) and the *Announcement of the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of Certain Preferential Tax Policies* (Cai Shui [2021] No. 6), medical services rendered by a medical institution are exempt from value-added tax. Therefore, Beijing Aipuyi Medical Testing Center Co. Ltd. is exempt from value-added tax, urban construction tax and education surcharge.
- (2) According to the *Circular of the Ministry of Finance and the State Taxation Administration on Tax Policies of Medical and Health Institutions* (Cai Shui [2000] No. 42), medical service income obtained by a non-profit medical institution at prices stipulated by the State is exempt from various taxes. The real estate, land, vehicles and vessels used by a non-profit medical institution are exempt from property tax, urban land use tax and vehicle and vessel use tax. The portion of non-medical service income that is directly used to improve the conditions of medical and health services can be deducted from its taxable income upon review and approval by the tax authorities, and the balance is subject to corporate income tax. According to the *Circular of the Department of Finance of Anhui Province and Anhui Provincial Tax Service, State Taxation Administration on Announcement of the 2015 Provincial-level Non-profit Organization Tax-Exemption Qualification List* (Cai Shui [2015] No. 2082) and *Circular of the Department of Finance of Anhui Province and Anhui Provincial Tax Service, State Taxation Administration on Announcement of the 2020 Provincial-level Non-profit Organization Tax-Exemption Qualification List* (Wan Cai Shui Fa [2020] No. 1280), Hefei High-tech Cardiovascular Hospital is a non-profit organization qualified for tax exemption and enjoys preferential tax policies for non-profit organizations within five years from the year of recognition.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## V. Notes to the Consolidated Financial Statements

### (1) Cash at bank and on hand

Item	2021.12.31	2020.12.31	2019.12.31
Cash on hand . . . . .	534,460.52	553,295.19	1,525,673.61
Bank deposits . . . . .	3,666,190,504.74	2,383,745,538.34	1,780,761,961.13
Other monetary funds . . . . .	130,821,863.49	49,679,901.71	171,692,588.77
Total . . . . .	3,797,546,828.75	2,433,978,735.24	1,953,980,223.51
Including: cash at bank and on hand deposited overseas . . . .	372,392,264.10	250,323,655.15	61,967,917.00

*Note:* As of 31 December 2021, the interest receivable in bank deposits was RMB534,923.53. As of 31 December 2020, the interest receivable in bank deposits was RMB3,011,733.06.

The cash at bank and on hand balances restricted for use due to mortgage, pledge, and frozen, restricted to access due to centralised management of funds, or restricted to be remitted to China from foreign countries are as following:

Item	2021.12.31	2020.12.31	2019.12.31
Deposit for bank acceptance bills . . . . .	53,008,268.16	27,962,556.34	60,565,521.66
Fixed deposits . . . . .	59,282,351.55		91,740,000.00
Frozen deposits . . . . .		133,572.93	10,014,864.36
Margin money . . . . .		10,198,134.93	
Performance Bond . . . . .	677,640.48	1,435,478.00	
Total . . . . .	112,968,260.19	39,729,742.20	162,320,386.02

### (2) Financial assets held-for-trading

Item	2021.12.31	2020.12.31	2019.12.31
Financial assets at fair value through profit or loss . . . . .		20,628,580.82	10,000,000.00
Including: wealth management products . . . . .		20,628,580.82	10,000,000.00
Total . . . . .		20,628,580.82	10,000,000.00

### (3) Notes receivable

#### 1. Notes receivable by category

Item	2021.12.31	2020.12.31	2019.12.31
Bank acceptance notes . . . . .	34,766,157.96	12,351,880.00	33,738,075.21
Trade acceptance notes . . . . .	19,005,193.50	1,916,088.00	418,632.00
Total . . . . .	53,771,351.46	14,267,968.00	34,156,707.21

#### 2. Outstanding endorsed or discounted notes unmatured at the end of the year

Item	2021.12.31		2020.12.31		2019.12.31	
	Amount derecognized at year end	Amount not derecognized at year end	Amount derecognized at year end	Amount not derecognized at year end	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance notes . . . .		19,593,600.00				
Trade acceptance note . . . .		18,200,000.00		1,500,000.00		
Total . . . . .		37,793,600.00		1,500,000.00		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (4) Accounts receivable

### 1. Ageing analysis of accounts receivable:

Ageing	2021.12.31	2020.12.31	2019.12.31
Within 1 year. . . . .	1,285,290,038.70	1,607,044,634.97	1,744,722,886.20
1-2 years. . . . .	230,056,532.64	360,110,213.60	280,175,348.51
2-3 years. . . . .	131,358,287.55	119,702,649.32	146,175,218.60
3-4 years. . . . .	61,489,537.16	83,948,594.27	67,506,810.20
4-5 years. . . . .	56,995,599.49	48,861,205.06	32,038,184.09
Over 5 years. . . . .	57,291,537.57	50,211,893.55	49,112,014.49
Sub-total. . . . .	1,822,481,533.11	2,269,879,190.77	2,319,730,462.09
Less: Provision for bad debts . . .	161,359,845.73	169,436,021.08	153,184,283.06
Total. . . . .	1,661,121,687.38	2,100,443,169.69	2,166,546,179.03

### 2. Accounts receivable by method of bad debt provision

31 December 2021

Category	Ending balance		Provision for bad debts		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis. . . . .	2,027,715.40	0.11	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis. . . . .	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Including:					
Expected credit loss of grouping basis. . . . .	1,820,453,817.71	99.89	159,332,130.33	8.75	1,661,121,687.38
Total. . . . .	1,822,481,533.11	100.00	161,359,845.73		1,661,121,687.38

31 December 2020

Category	Ending balance		Provision for bad debts		Carrying Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis. . . . .	2,027,715.40	0.09	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis. . . . .	2,267,851,475.37	99.91	167,408,305.68	7.38	2,100,443,169.69
Including:					
Expected credit loss of grouping basis. . . . .	2,267,851,475.37	99.91	167,408,305.68	7.38	2,100,443,169.69
Total. . . . .	2,269,879,190.77	100.00	169,436,021.08		2,100,443,169.69

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2019

Category	Ending balance		Provision for bad debts		Carrying Value
	Amount	Percentage	Amount	Percentage	
		(%)		(%)	
Provision for bad debts made on an individual basis . . . .	2,027,715.40	0.09	2,027,715.40	100.00	
Provision for bad debts made on a grouping basis . . . . .	2,317,702,746.69	99.91	151,156,567.66	6.52	2,166,546,179.03
Including:					
Expected credit loss of grouping basis . . . . .	2,317,702,746.69	99.91	151,156,567.66	6.52	2,166,546,179.03
Total . . . . .	2,319,730,462.09	100.00	153,184,283.06		2,166,546,179.03

Provision for bad debts made on an individual basis:

2021.12.31				
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory . . .	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total . . . . .	2,027,715.40	2,027,715.40		

2020.12.31				
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory . . .	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total . . . . .	2,027,715.40	2,027,715.40		

2019.12.31				
Name	Ending balance	Provision for bad debts	Percentage	Reasons for Provision
			(%)	
Xinxiang Yashijie Medical Laboratory . . .	2,027,715.40	2,027,715.40	100.00	Estimatedly irrecoverable
Total . . . . .	2,027,715.40	2,027,715.40		



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Accounts receivable with provision for bad debts on a grouping basis:

Items of bad debt provided on grouping basis:

31 December 2021

Ageing	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage
			(%)
Within 1 year. . . . .	1,285,290,038.70	6,426,935.61	0.50
1-2 years . . . . .	230,056,532.64	23,005,653.35	10.00
2-3 years . . . . .	131,358,287.55	26,271,657.51	20.00
3-4 years . . . . .	59,461,821.76	17,838,546.54	30.00
4-5 years . . . . .	56,995,599.49	28,497,799.75	50.00
Over 5 years . . . . .	57,291,537.57	57,291,537.57	100.00
Total . . . . .	1,820,453,817.71	159,332,130.33	

31 December 2020

Ageing	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage
			(%)
Within 1 year. . . . .	1,607,044,634.97	8,035,223.17	0.50
1-2 years . . . . .	360,110,213.60	36,011,021.36	10.00
2-3 years . . . . .	117,674,933.92	23,534,986.78	20.00
3-4 years . . . . .	83,948,594.27	25,184,578.28	30.00
4-5 years . . . . .	48,861,205.06	24,430,602.54	50.00
Over 5 years . . . . .	50,211,893.55	50,211,893.55	100.00
Total . . . . .	2,267,851,475.37	167,408,305.68	

31 December 2019

Ageing	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage
			(%)
Within 1 year. . . . .	1,744,722,886.20	8,723,610.96	0.50
1-2 years . . . . .	278,147,633.11	27,814,763.33	10.00
2-3 years . . . . .	146,175,218.60	29,235,043.71	20.00
3-4 years . . . . .	67,506,810.20	20,252,043.09	30.00
4-5 years . . . . .	32,038,184.09	16,019,092.08	50.00
Over 5 years . . . . .	49,112,014.49	49,112,014.49	100.00
Total . . . . .	2,317,702,746.69	151,156,567.66	



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Provision, reversal or recovery, and offset or written-off of bad debts during the reporting periods

Type	31/12/2018	Adjustment of changes in accounting policies	1/1/2019	Change in the year			2019.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis . . . . .	134,942,489.44	14,581,863.24	149,524,352.68	31,984,048.25	940,857.82	31,292,691.09	151,156,567.66
Provision for bad debts made on an individual basis . . . . .		10,138.58	10,138.58	2,017,576.82			2,027,715.40
Total . . . . .	134,942,489.44	14,592,001.82	149,534,491.26	34,001,625.07	940,857.82	31,292,691.09	153,184,283.06

Type	2019.12.31	Adjustment of changes in accounting policies	2020.1.1	Change in the year			2020.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis . . . . .	151,156,567.66		151,156,567.66	38,482,568.47	1,635,863.31	23,866,693.76	167,408,305.68
Provision for bad debts made on an individual basis . . . . .	2,027,715.40		2,027,715.40				2,027,715.40
Total . . . . .	153,184,283.06		153,184,283.06	38,482,568.47	1,635,863.31	23,866,693.76	169,436,021.08

Type	2020.12.31	Provision accrued	Change in the year		2021.12.31
			Transferred form consolidation	Offset or written off	
Expected credit loss of grouping basis . . . . .	167,408,305.68	13,223,865.23	54,975.72	21,355,016.30	159,332,130.33
Provision for bad debts made on an individual basis . . . . .	2,027,715.40				2,027,715.40
Total . . . . .	169,436,021.08	13,223,865.23	54,975.72	21,355,016.30	161,359,845.73

### 3. Accounts receivable written off during the reporting periods

Item	2021	2020	2019
Written-off . . . . .	21,355,016.30	23,866,693.76	31,292,691.09

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**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

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4. *Top five accounts receivable by ending balance of debtors*

	2021.12.31			2020.12.31			2019.12.31		
	Accounts receivable	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts	Accounts receivable	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts	Accounts receivable	Percentage of ending balance of total accounts receivable (%)	Provision for bad debts
Total of top five ending balance debtors . . . . .	151,945,554.41	8.34	760,459.06	184,553,558.84	8.13	2,761,552.64	154,132,365.01	6.64	770,661.83

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (5) Receivable financing

### Receivable financing

Item	2021.12.31	2020.12.31	2019.12.31
Notes receivable. . . . .	81,021,515.38	94,902,622.37	84,620,439.23
Total . . . . .	81,021,515.38	94,902,622.37	84,620,439.23

#### Notes:

- 1) The Company and some of its subsidiaries discounts and endorses a portion of its bank acceptance bills more frequently for day-to-day fund management purposes. Therefore, the Company and some of its subsidiaries classified bank acceptance bills with higher remaining credit rating on the books as financial assets measured at fair value through other comprehensive income, and the Company believed that the bank acceptance bills held by it are not subject to significant credit risk and will not incur significant losses due to bank defaults, and therefore no bad debt provision has been recognized.
- 2) As of 31 December 2021, bank acceptance drafts worth RMB52,421,228.56 were pledged to China Zheshang Bank Co., Ltd for the application of issuing notes payable, and the pledging period was from 28 June 2021 to 28 June 2022; The bank acceptance bill worth RMB1,067,318.56 is pledged to bank of Ningbo for the application of the issuance of notes payable, the pledging period is from 11 August 2021 to 9 March 2022; The bank acceptance bill worth RMB500,000.00 is pledged to Industrial Bank for the application of issuing notes payable, and the pledge period is from 27 May 2021 to 27 May 2022.
- 3) As of 31 December 2020, bank acceptance drafts worth RMB15,504,955.78 were pledged to China Zheshang Bank Co., Ltd for the application of issuing notes payable, the pledging period is from 7 August 2020 to 31 May 2021; Bank acceptance drafts worth RMB5,453,573.89 have been pledged to bank of Ningbo for application of notes payable from 8 January 2020 to 8 July 2021.
- 4) As of 31 December 2020, the bank acceptance receivable of the Company, which has been endorsed or discounted and is not yet due on the balance sheet date, is RMB169,474,759.40, and all the acceptance is terminated; As of 31 December 2021, bank acceptance receivable of RMB70,705,228.97, endorsed or discounted by the Company and not yet due at the balance sheet date, is terminated.

## (6) Prepayments

### 1) Ageing of prepayments

Ageing	2021.12.31		2020.12.31		2019.12.31	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year . . . . .	244,929,506.94	86.51	154,903,137.96	91.12	75,612,005.39	85.19
1-2 years . . . . .	29,169,401.75	10.30	6,207,995.89	3.65	8,559,069.59	9.64
2-3 years . . . . .	1,670,147.74	0.59	5,694,491.28	3.35	2,067,476.37	2.33
Over 3 years . . . . .	7,365,299.35	2.60	3,200,411.21	1.88	2,518,297.48	2.84
Total . . . . .	283,134,355.78	100.00	170,006,036.34	100.00	88,756,848.83	100.00

### 2) Top five prepayments by supplier based on ending balance

Name of the entity	2021.12.31		2020.12.31		2019.12.31	
	Ending balance	Percentage of total ending balance of prepayments (%)	Ending balance	Percentage of total ending balance of prepayments (%)	Ending balance	Percentage of total ending balance of prepayments (%)
Total of the top five ending balance suppliers . . . . .	47,968,010.38	16.94	18,476,871.11	10.87	15,878,536.51	17.89

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (7) Other receivables

Item	2021.12.31	2020.12.31	2019.12.31
Interest receivable . . . . .			13,354,752.05
Dividend receivable . . . . .			
Other receivables . . . . .	178,277,572.38	145,813,919.47	115,444,777.40
Total . . . . .	178,277,572.38	145,813,919.47	128,799,529.45

### 1. Interest receivable

#### (1) Interest receivable by category

Item	2021.12.31	2020.12.31	2019.12.31
Time deposits . . . . .			6,571,499.27
Loan interest . . . . .			6,651,082.29
Factoring interest . . . . .			132,170.49
Sub-total . . . . .			13,354,752.05
Less: provision for bad debts . . .			
Total . . . . .			13,354,752.05

### 2. Other receivables

#### (1) Ageing analysis:

Ageing	2021.12.31	2020.12.31	2019.12.31
Within 1 year . . . . .	97,426,184.91	126,169,186.40	127,743,886.46
1-2 years . . . . .	78,136,800.04	61,354,397.46	111,544,367.63
2-3 years . . . . .	57,458,874.87	84,734,143.06	5,645,011.89
3-4 years . . . . .	83,995,938.90	4,541,322.90	7,715,601.54
4-5 years . . . . .	4,484,292.03	6,119,049.47	2,046,647.77
Over 5 years . . . . .	21,476,481.91	18,020,318.45	17,212,349.95
Sub-total . . . . .	342,978,572.66	300,938,417.74	271,907,865.24
Less: Provision for bad debts . . .	164,701,000.28	155,124,498.27	156,463,087.84
Total . . . . .	178,277,572.38	145,813,919.47	115,444,777.40

#### (2) Other receivables by method of bad debt provision

31 December 2021

Type	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis . . . .	129,805,890.71	37.85	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis . . . . .	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Including:					
Expected credit loss of grouping basis . . . . .	213,172,681.95	62.15	34,895,109.57	16.37	178,277,572.38
Total . . . . .	342,978,572.66	100.00	164,701,000.28		178,277,572.38

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2020

Type	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis . . . .	129,805,890.71	43.13	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis . . . . .	171,132,527.03	56.87	25,318,607.56	14.79	145,813,919.47
Including:					
Expected credit loss of grouping basis . . . . .	171,132,527.03	56.87	25,318,607.56	14.79	145,813,919.47
Total . . . . .	300,938,417.74	100.00	155,124,498.27		145,813,919.47

31 December 2019

Type	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis . . . .	129,805,890.71	47.74	129,805,890.71	100.00	
Provision for bad debts made on a grouping basis . . . . .	142,101,974.53	52.26	26,657,197.13	18.76	115,444,777.40
Including:					
Expected credit loss of grouping basis . . . . .	142,101,974.53	52.26	26,657,197.13	18.76	115,444,777.40
Total . . . . .	271,907,865.24	100.00	156,463,087.84		115,444,777.40

Other receivables assessed individually for provision for bad debts at the end of the year:

2021.12.31				
Name	Book balance	Provision for bad debts	Percentage (%)	Reasons for Provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd. . . . .	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total . . . . .	129,805,890.71	129,805,890.71		
2020.12.31				
Name	Book balance	Provision for bad debts	Percentage (%)	Reasons for Provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd. . . . .	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total . . . . .	129,805,890.71	129,805,890.71		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2019.12.31

Name	Book balance	Provision for bad debts	Percentage (%)	Reasons for Provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. ....	127,799,293.21	127,799,293.21	100.00	Estimated irrecoverable
Beijing Yalian Yashijie Technology Trade Co., Ltd. ....	2,006,597.50	2,006,597.50	100.00	Estimated irrecoverable
Total .....	129,805,890.71	129,805,890.71		

Other receivables with provision for bad debts on a grouping basis:

The project of collective assessment:

31 December 2021

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year. ....	97,426,184.91	487,130.93	0.50
1-2 years. ....	78,136,800.04	7,813,680.00	10.00
2-3 years. ....	6,190,062.09	1,238,012.42	20.00
3-4 years. ....	5,458,860.97	1,637,658.29	30.00
4-5 years. ....	4,484,292.03	2,242,146.02	50.00
Over 5 years. ....	21,476,481.91	21,476,481.91	100.00
Total .....	213,172,681.95	34,895,109.57	

31 December 2020

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year. ....	126,169,186.40	628,395.94	0.5
1-2 years. ....	10,085,584.68	1,008,558.51	10
2-3 years. ....	6,197,065.13	1,239,413.05	20
3-4 years. ....	4,541,322.90	1,362,396.87	30
4-5 years. ....	6,119,049.47	3,059,524.74	50
Over 5 years. ....	18,020,318.45	18,020,318.45	100.00
Total .....	171,132,527.03	25,318,607.56	

31 December 2019

Ageing	Ending balance		
	Other receivables	Provision for bad debts	Percentage (%)
Within 1 year. ....	62,846,272.92	314,231.36	0.5
1-2 years. ....	46,636,090.46	4,663,609.09	10
2-3 years. ....	5,645,011.89	1,129,002.39	20
3-4 years. ....	7,715,601.54	2,314,680.45	30
4-5 years. ....	2,046,647.77	1,023,323.89	50
Over 5 years. ....	17,212,349.95	17,212,349.95	100
Total .....	142,101,974.53	26,657,197.13	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### (3) Provision for bad debt

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
<b>Provision for bad debt</b>				
Beginning Balance (1/1/2019) . . . .	15,826,779.83			15,826,779.83
Beginning balance for the current year (1/1/2019) . . . . .	-392,685.39		392,685.39	
— Transfer to stage 2 . . . . .			392,685.39	
— Transfer to stage 3 . . . . .	-392,685.39		392,685.39	
— Transfer back stage 2 . . . . .				
— Transfer back stage 1 . . . . .				
Provision made during the year . . .	6,410,188.98		129,413,205.32	135,823,394.30
Reverse during the year . . . . .				
Offset during the year . . . . .				
Written during off the year . . . . .	880,050.32			880,050.32
Other changes . . . . .	5,692,964.03			5,692,964.03
Ending Balance (31/12/2019). . . . .	26,657,197.13		129,805,890.71	156,463,087.84

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
<b>Provision for bad debt</b>				
Beginning Balance (31/12/2019). . .	26,657,197.13		129,805,890.71	156,463,087.84
Beginning balance for the current year (31/12/2019). . . . .				
— Transfer to stage 2 . . . . .				
— Transfer to stage 3 . . . . .				
— Transfer back stage 2 . . . . .				
— Transfer back stage 1 . . . . .				
Provision made during the year . . .				
Reverse during the year . . . . .	630,819.36			630,819.36
Offset during the year . . . . .				
Written during off the year . . . . .	2,558,583.79			2,558,583.79
Other changes . . . . .	1,850,813.58			1,850,813.58
Ending Balance (31/12/2020). . . . .	25,318,607.56		129,805,890.71	155,124,498.27

	Stage 1	Stage 2	Stage 3	
	Expected credit losses for next 12 months	Expected credit losses during the whole life span (not credit impaired)	Expected credit losses during the whole life span (credit impaired)	Total
<b>Provision for bad debt</b>				
Beginning Balance (31/12/2020). . .	25,318,607.56		129,805,890.71	155,124,498.27
Beginning balance for the current year (31/12/2020). . . . .				
— Transfer to stage 2 . . . . .				
— Transfer to stage 3 . . . . .				
— Transfer back stage 2 . . . . .				
— Transfer back stage 1 . . . . .				
Provision made during the year . . .	9,144,384.80			9,144,384.80
Reverse during the year . . . . .				
Offset during the year . . . . .				
Written during off the year . . . . .	57,950.55			57,950.55
Other changes . . . . .	490,067.76			490,067.76
Ending Balance (31/12/2021). . . . .	34,895,109.57		129,805,890.71	164,701,000.28

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(4) Provision for bad debts made, reversed or recovered during the reporting period.

Type	2018.12.31	Adjustment of changes in accounting policies	2019.1.1	Change in the year			2019.12.31
				Accrued	Transferred form consolidation	Offset or written off	
Expected credit loss of grouping basis . . . . .	15,826,779.83	-392,685.39	15,434,094.44	6,410,188.98	5,692,964.03	880,050.32	26,657,197.13
Provision for bad debts made on an individual basis . . . . .		392,685.39	392,685.39	129,413,205.32			129,805,890.71
Total . . . . .	15,826,779.83		15,826,779.83	135,823,394.30	5,692,964.03	880,050.32	156,463,087.84

Type	2019.12.31	Change in the year			2020.12.31
		Accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis . . . . .	26,657,197.13	-630,819.36	1,850,813.58	2,558,583.79	25,318,607.56
Provision for bad debts made on an individual basis . . . .	129,805,890.71				129,805,890.71
Total . . . . .	156,463,087.84	-630,819.36	1,850,813.58	2,558,583.79	155,124,498.27

Type	2020.12.31	Change in the year			2021.12.31
		Accrued	Recovered or reversed	Offset or written off	
Expected credit loss of grouping basis . . . . .	25,318,607.56	9,144,384.80	490,067.76	57,950.55	34,895,109.57
Provision for bad debts made on an individual basis . . . .	129,805,890.71				129,805,890.71
Total . . . . .	155,124,498.27	9,144,384.80	490,067.76	57,950.55	164,701,000.28

(5) Other receivables actually written off during the reporting period

Item	2021	2020	2019
Written-off. . . . .	57,950.55	2,558,583.79	880,050.32

(6) Others categorized by nature

Nature of other receivables	Ending balance		
	2021.12.31	2020.12.31	2019.12.31
Come-and-go money . . . . .	318,551,152.56	263,644,029.18	224,554,191.62
Reserve . . . . .	12,150,044.54	21,086,939.49	32,986,514.75
Others . . . . .	12,277,375.56	16,207,449.07	14,367,158.87
Total . . . . .	342,978,572.66	300,938,417.74	271,907,865.24



(7) Top five other receivables by ending balance of debtors

	2021.12.31	2020.12.31	2019.12.31
	Percentage of ending balance of total other receivable (%)	Percentage of ending balance of total other receivable (%)	Percentage of ending balance of total other receivable (%)
	Other receivables	Other receivables	Other receivables
	Provision for bad debts	Provision for bad debts	Other receivables
Total of the top five ending balance . . . . .	228,490,249.72	134,477,747.99	133,746,511.73
	66.62	203,626,842.16	156,615,232.96
		67.66	57.60
			139,611,970.00

### Breakdown of inventories

	2021.12.31	2020.12.31	2019.12.31
	Provision for impairment of inventories/ provision for impairment of contract performance	Provision for impairment of inventories/ provision for impairment of contract performance	Provision for impairment of the inventories
Type	Book balance	Book balance	Book balance
	Carrying value	Carrying value	Carrying value
Raw materials . . . . .	779,717,096.05	562,297,731.41	367,737,583.60
Work in progress . . . . .	351,489,049.94	305,112,303.08	218,783,880.77
Finished goods . . . . .	819,052,548.38	573,841,146.15	431,878,419.63
Total . . . . .	1,950,258,694.37	1,441,251,180.64	1,018,399,884.00
	11,324,905.78	17,507,440.01	13,572,298.77
	1,938,933,788.59	1,423,743,740.63	1,004,827,585.23
	778,330,943.64	4,783,904.06	2,439,827.13
	351,476,971.22	13,067.55	365,297,756.47
	809,125,873.73	12,710,468.40	218,783,880.77
	1,938,933,788.59	1,423,743,740.63	420,745,947.99
	11,324,905.78	17,507,440.01	1,004,827,585.23

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

*Provision for impairment of inventories and provision for impairment of contract performance cost*

Item	2018.12.31	Increase for the year		Decrease for the year		2019.12.31
		Provision made	Others	Reversal or writing-off	Others	
Raw materials . . . . .	2,488,203.59	246,417.63	43,075.54	337,869.63		2,439,827.13
Finished goods . . . . .	6,652,390.72	5,989,277.74		1,509,196.82		11,132,471.64
Total . . . . .	9,140,594.31	6,235,695.37	43,075.54	1,847,066.45		13,572,298.77

Item	31/12/2019	Adjustment of changes in accounting policies	1/1/2020	Increase for the year		Decrease for the year		31/12/2020
				Provision made	Others	Reversal or writing-off	Others	
Raw materials . . . . .	2,439,827.13		2,439,827.13	3,709,226.28		1,365,149.35		4,783,904.06
Work in progress . . . . .				51,164.61		38,097.06		13,067.55
Finished goods . . . . .	11,132,471.64		11,132,471.64	2,891,029.13		1,313,032.37		12,710,468.40
Total . . . . .	13,572,298.77		13,572,298.77	6,651,420.02		2,716,278.78		17,507,440.01

Item	31/12/2020	Increase for the year		Decrease for the year		31/12/2021
		Provision made	Others	Reversal or writing-off	Others	
Raw materials . . . . .	4,783,904.06	410,389.09		3,808,140.74		1,386,152.41
Work in progress . . . . .	13,067.55			988.83		12,078.72
Finished goods . . . . .	12,710,468.40	9,012,056.14	260,779.50	12,056,629.39		9,926,674.65
Total . . . . .	17,507,440.01	9,422,445.23	260,779.50	15,865,758.96		11,324,905.78

### (9) *Non-current assets due within one year*

Item	2021.12.31	2020.12.31	2019.12.31
Long-term receivables due within one year . . . . .	16,275,600.92	10,850,026.84	17,551,040.51
Finance lease receivables due within one year. . . . .	697,871.20	17,135,709.40	56,488,971.84
Loans and advances due within one year. . . . .	14,880,000.00	28,353,479.77	17,677,402.49
Total . . . . .	31,853,472.12	56,339,216.01	91,717,414.84

### (10) *Other current assets*

Item	2021.12.31	2020.12.31	2019.12.31
Insurance. . . . .	1,088,498.90	335,817.84	51,707.98
Advance Payment of Income Tax . . . . .	115,332,786.84	110,588,675.51	66,969,183.34
Others . . . . .	5,245,754.22	5,594,573.53	3,954,948.38
Total . . . . .	121,667,039.96	116,519,066.88	70,975,839.70

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (11) Long-term receivables

### Information on long-term receivables

Item	2021.12.31		2020.12.31		2019.12.31		Range of discount rate
	Book balance	Provision for bad debts	Carrying Value	Book balance	Provision for bad debts	Carrying Value	
Finance lease payments . . . . .							
Including: unrealised financing income . . . . .							6%-8%
Receipt in installments for sale of goods . . . . .	11,129,273.70						
Total . . . . .	11,129,273.70						4.75%-6.00%

## (12) Long-term equity investments

Investee	Change for the year						Ending balance of provision for impairment
	31/12/2018	Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	
1. Associates							
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd. . . . .		70,000,000.00					70,000,000.00
Beijing Huaco Healthcare Technologies Co., Ltd. . . . .	3,688,320.42			-915,550.26			2,772,770.16
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	148,314,837.31			-10,290,426.90			138,024,410.41
Shenzhen Viatom Technology Co., Ltd. . . . .	33,680,294.15		35,438,365.27	1,758,071.12			138,024,410.41

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	Change for the year						Ending balance of provision for impairment			
	31/12/2018	Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity		Declaration and payment of cash dividend or profit	Provision of impairment	Others
Shaanxi Xingtai Biotechnology Co., Ltd. . .	24,026,668.49			-1,121,443.47						22,905,225.02
Shanghai Yocaly Health Management Co., Ltd. . . .	206,289,926.40		194,701,702.36	-11,588,224.04						
Beijing Qs Medical Technology Co., Ltd. . . . .	73,510,247.70			-1,513,542.56						71,996,705.14
Sichuan Rekind Medtec Inc. . . . .	73,723,740.97			6,558,750.87						80,282,491.84
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	219,246,204.70		217,563,293.88	-1,682,910.82						
Lepu Biopharma Co., Ltd. . .	184,894,508.44			-52,499,169.52		-58,168,477.82				74,226,861.10
Beijing Ampulser Technology Co., Ltd. . . . .	949,112.66			-592,068.82						357,043.84
Beijing Elacor Technology Co., Ltd. . . . .	9,731.18			-9,731.18						
Beijing Zhongnan Yisheng Medical Technology Co., Ltd. . . . .		20,000,000.00		-666,331.26						19,333,668.74
Ningbo Kaisheng Investment Management Center (Limited Partnership) . . . .	99,800.35			-77.39						99,722.96
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership). . . . .	99,698.23			-83.99						99,614.24
Ningbo Jinyi Investment Management Center (limited Partnership) . . . .	99,765.64			-88.06						99,677.58

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	31/12/2018	Change for the year						Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	
Ningbo Meitunicom Investment Management Center (Limited Partnership) . . . . .	49,739.21			-87.69				49,651.52
Aortec Medical Technology Co., Ltd. . . . .	50,101,831.91			209,765.60				50,311,597.51
Star Combo Pharma Limited . . . . .	26,955,666.88			-3,780,647.38			1,164,939.76	24,339,959.26
Waterstone Pharmaceuticals (Wuhan) Co., Ltd. . . . .	98,971,388.56			-1,074,254.70			1,350,824.60	99,247,958.46
Sub-total . . . . .	1,144,711,483.20	90,000,000.00	447,703,361.51	-77,208,050.45		-58,168,477.82	55,382,668.66	138,024,410.41
Total . . . . .	1,144,711,483.20	90,000,000.00	447,703,361.51	-77,208,050.45		-58,168,477.82	55,382,668.66	138,024,410.41

**Notes:**

- 1) In 2019, the company held 9.7659% of the equity of Beijing Yiliankang Technology Co., Ltd. Due to excess losses, the ending balance was zero.
- 2) The change of Beijing Huaco Healthcare Technologies Co., Ltd. is that the company acquires 70.83% of its equity to 87.5%, making it a holding subsidiary. For details, see "Changes in scope of consolidation in Note VI".

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	31/12/2019	Change for the year						31/12/2020	Ending balance of provision for impairment
		Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit		
I. Associates									
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	138,024,410.41							138,024,410.41	138,024,410.41
Waterstone Pharmaceuticals (Wuhan) Co., Ltd. . . . .	99,247,958.46			-383,969.15		17,697,706.70		-9,378,201.37	107,183,494.64
Sichuan Rekind									
Medtec Inc. . . . .	80,282,491.84			11,297,099.14					91,579,590.98
Lepu Biopharma Co., Ltd. . .	74,226,861.10	90,000,000.00		-138,336,150.85		196,897,786.95			222,788,497.20
Beijing Qs Medical Technology Co., Ltd. . . . .	71,996,705.14			-4,160,741.75					67,835,963.39
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd. . . . .	70,000,000.00			-110,292.28					69,889,707.72
Aortec Medical Technology Co., Ltd. . . . .	50,311,597.51			-15,319.16					50,296,278.35
Star Combo Pharma Limited. . . . .	24,339,959.26			611,542.07		343,863.52		1,376,219.40	26,671,584.25
Shaanxi Xingtai Biotechnology Co., Ltd. . .	22,905,225.02			-321,965.31				-22,583,259.71	
Beijing Zhongnan Yisheng Medical Technology Co., Ltd. . . . .	19,333,668.74			-822,097.53					18,511,571.21
Beijing Huaco Healthcare Technologies Co., Ltd. . . .	2,772,770.16			-1,514,602.37					1,258,167.79
Beijing Ampulser Technology Co., Ltd. . . . .	357,043.84			-102,780.08					254,263.76

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	Change for the year							Ending balance of provision for impairment
	31/12/2019	Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	
Ningbo Kaisheng Investment Management Center (Limited Partnership) . . . .	99,722.96			-45,424.86				54,298.10
Ningbo Jinyi Investment Management Center (limited Partnership) . . . .	99,677.58			-81.73				99,595.85
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership). . . . .	99,614.24			-79.40				99,534.84
Ningbo Meiuicom Investment Management Center (Limited Partnership). . . . .	49,651.52			-79.96				49,571.56
Xi'an Chaoqian Intelligent Technology Co., Ltd. . . . .		50,000,000.00		-1,745,775.15		143,913.79		48,398,138.64
Beijing Haijing Medicine Technology Co., Ltd. . . . .		100,000,000.00		-6,666,215.62		5,474,511.35		98,808,295.73
Xinyu Baiaotongda Biotechnology Co., Ltd. . .		25,000,000.00		-1,670.71				24,998,329.29
Beijing Purun Medical Equipment Co., Ltd. . . . .		10,235,294.12		-450,457.00				9,784,837.12
Sub-total . . . . .	654,147,357.78	275,235,294.12		-142,769,061.70		220,557,782.31	-30,585,241.68	138,024,410.41
Total . . . . .	654,147,357.78	275,235,294.12		-142,769,061.70		220,557,782.31	-30,585,241.68	138,024,410.41

*Note:* The change of Shaanxi Xingtai Biotechnology Co., Ltd is mainly for the company to acquire the remaining 75% of its equity and make it a wholly-owned subsidiary. For details, please refer to "VI. Changes in scope of consolidation".

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	Change for the year							Ending balance of provision for impairment			
	31/12/2020	Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit		Provision of impairment	Others	31/12/2021
I. Associates											
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	138,024,410.41										138,024,410.41
Waterstone Pharmaceuticals (WUHAN) Co., Ltd. . . .	107,183,494.64			-1,426,116.97							105,757,377.67
Sichuan Rekind Medtec Inc. . . . .	91,579,590.98			12,387,175.71							103,966,766.69
Lepu Biopharma Co., Ltd. .	222,788,497.20			-151,175,742.95	-1,940.44	51,474,729.56					123,085,543.37
Beijing Qs Medical Technology Co., Ltd. . . .	67,835,963.39			-4,601,392.62		-3,573,868.51					59,660,702.26
Beijing Yuding Additive Manufacturing Research Institute Co., Ltd. . . . .	69,889,707.72			3,287,120.38		-2,573,468.17					70,603,359.93
Aortec Medical Technology Co., Ltd. . . . .	50,296,278.35			634,121.43							50,930,399.78
Star Combo Pharma Limited . . . . .	26,671,584.25			-3,187,722.50					-2,069,985.21		21,413,876.54
Beijing Zhongnan Yisheng Medical Technology Co., Ltd. . . . .	18,511,571.21			-812,940.26							17,698,630.95
Beijing Huaco Healthcare Technologies Co., Ltd. . .	1,258,167.79	26,052,867.38		-627,817.38					-26,683,217.79		
Beijing Ampulser Technology Co., Ltd . . .	254,263.76			-134,693.75						119,570.01	
Ningbo Kaisheng Investment Management Center (Limited Partnership) . . .	54,298.10			201,655.60						255,953.70	



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee	Change for the year							Ending balance of provision for impairment
	31/12/2020	Increase in investment	Decrease in investment	Investment gain or loss recognized using equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration and payment of cash dividend or profit	
Ningbo Jinyi Investment Management Center (limited Partnership) . . .	99,595.85			-82.61				99,513.24
Ningbo Hengsheng Hengrui Investment Management Center (Limited Partnership) . . . . .	99,534.84			82,789.85				182,324.69
Ningbo Meitunicom Investment Management Center (Limited Partnership) . . . . .	49,571.56			-79.93				49,491.63
Xi'an Chaoqian Intelligent Technology Co., Ltd. . . .	48,398,138.64			-2,448,769.57				45,949,369.07
Beijing Haijinge Medicine Technology Co., Ltd. . . .	98,808,295.73			1,974,104.41		10,721,750.60		111,504,150.74
Xinyu Baiaotongda Biotechnology Co., Ltd. .	24,998,329.29			-2,349.51				24,995,979.78
Beijing Purun Medical Equipment Co., Ltd. . . .	9,784,837.12			679,189.91				10,464,027.03
Tianjin Walkman Biomaterial Co., Ltd. . . .	231,878,534.33			-5,558,901.47				226,319,632.86
Shenzhen Bone Medical Devices Co., Ltd. . . . .	44,716,167.55			-1,508,695.85				43,207,471.70
Hunan Pinxing Bioengineering Co., Ltd. . . . .	55,500,000.00			-14,587.85				55,485,412.15
Sub-total . . . . .	976,586,130.83	358,147,569.26		-152,253,735.93	-1,940.44	56,049,143.48	-28,753,203.00	1,209,773,964.20
Total . . . . .	976,586,130.83	358,147,569.26		-152,253,735.93	-1,940.44	56,049,143.48	-28,753,203.00	1,209,773,964.20

*Note:* The differential section between long-term equity investment obtained and the net assets continuously calculated from the acquisition of the subsidiary at the new shareholding ratio enjoyed by Lepu Biopharma Co., Ltd were adjusted into capital reserves. The share of the company shall be adjusted accordingly according to the shareholding ratio.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## *(13) Investments in other equity instruments*

### *(1) Information on investments in other equity instruments*

Item	31/12/2021	31/12/2020	31/12/2019
Beijing Life Insurance Co., Ltd. . . . .	300,000,000.00	300,000,000.00	300,000,000.00
Chengdu Shengnuo Biotechnology Co., Ltd. . . . .	237,232,800.00	148,500,000.00	148,500,000.00
Suzhou Danqing Phase II Innovative Pharmaceutical Industry Investment Partnership (L.P.) . . . . .	90,797,968.70	100,000,000.00	55,000,000.00
Beijing Synergetic Yixin Investment Partnership (limited Partnership) . . . . .	50,000,000.00	50,000,000.00	50,000,000.00
Shanghai Xingze Xinghe Investment Management Center (L.P.) . . . . .	48,208,964.46	49,957,035.46	50,000,000.00
Suzhou Sinovent Pharmaceuticals Co., Ltd. . . . .	45,000,000.00	45,000,000.00	45,000,000.00
Shenzhen City Hechuang Intelligent and Health Venture Investment Fund (L.P.) . . . . .	44,218,115.69	46,886,680.00	46,886,680.00
Changzhou Shanlan Medical Investment Partnership (limited Partnership) . . . . .	38,436,955.65	38,436,955.65	39,124,110.92
Beijing Chongde Yingsheng Venture Capital Co., Ltd. . . . .	10,000,000.00	10,000,000.00	10,000,000.00
Shanghai Shujia Medical Management Co., Ltd. . . . .	10,000,000.00		
Shanghai Magic Sugar Medical Technology Co., Ltd. . . . .	200,000.00	200,000.00	200,000.00
Tianjin Walkman Biomaterial Co., Ltd. . . . .		96,049,350.51	96,049,350.51
Shenzhen Bone Medical Devices Co., Ltd. . . . .		16,033,221.49	16,033,221.49
Zhangjiakou Guorong Equity Investment Fund Center (Limited Partnership) . . . . .		125,000,000.00	
Genapsys, Inc ("Genapsys") . . . . .	159,361,220.27	163,481,807.47	173,934,018.14
Gritstone Oncology, Inc ("Gritstone") . . . . .	155,999,767.55	49,035,923.17	118,761,913.48
Rgenix, Inc ("Rgenix") . . . . .	79,680,580.04	81,750,000.00	86,966,976.25
Pionyr Immunotherapeutics, Inc ("Pionyr") . . . . .	57,833,904.72	59,335,918.11	34,786,783.15
Beam Therapeutics, Inc ("Beam") . . . . .	56,639,729.16	59,532,687.66	34,786,790.50
MeiraGTx, LLC ("MeiraGTx") . . . . .	45,746,864.77	44,883,771.48	63,138,483.92
Oric Pharmaceuticals, Inc ("Oric") . . . . .	42,036,807.57	99,313,054.57	55,658,871.76
Cold Genesys, Inc ("Cold") . . . . .	38,246,617.83	39,240,000.00	41,744,148.60
Vividion Therapeutics ("Vividion") . . . . .		29,430,000.00	31,308,111.45
Quanterix Corporation ("QTRX") . . . . .			76,865,801.12
Total . . . . .	1,509,640,296.41	1,652,066,405.57	1,574,745,261.29

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### (2) Information on investments in equity instruments not held for trading

31/12/2021

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Chengdu Shengnuo Biotechnology Co., Ltd. . . . .		88,732,800.00			According to the management judgment	
Shanghai Xingze Xinghe Investment Management Center (L.P.). . . . .		11,851,032.64		11,851,032.64	According to the management judgment	Disposal
Tianjin Walkman Biomaterial Co., Ltd. . . . .		1,855,091.08		1,576,827.42	According to the management judgment	Increased shares into long-term equity investment
Shenzhen Bone Medical Devices Co., Ltd. . . . .		2,846,950.73		2,419,908.12	According to the management judgment	Increased shares into long-term equity investment
Genapsys, Inc ("Genapsys") . . . . .			11,977,222.28		According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric"). . . . .		20,593,645.48			According to the management judgment	
Pionyr Immunotherapeutics, Inc ("Pionyr") . . . . .		42,001,968.03		5,555,025.08	According to the management judgment	
Beam Therapeutics, Inc ("Beam") . . . . .		45,059,973.61			According to the management judgment	
Vividion Therapeutics ("Vividion"). . . . .		75,478,597.99		60,675,643.59	According to the management judgment	
Gritstone Oncology, Inc ("Gritstone"). . . . .		20,785,738.10			According to the management judgment	
MeiraGTx, LLC ("MeiraGTx") . . . . .		34,082,490.27		5,954,788.02	According to the management judgment	
Rgenix, Inc ("Rgenix") . . . . .			5,988,634.38		According to the management judgment	
Cold Genesys, Inc ("Cold"). . . . .			2,130,952.43		According to the management judgment	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31/12/2020

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Changzhou Shanlan Medical Investment Partnership (limited Partnership) . . .		1,298,056.32		1,298,056.32	According to the management judgment	Sales
Fujian Pingtan Dazheng Investment Partnership (limited Partnership) . . .		2,070,611.36		2,070,611.36	According to the management judgment	Sales
Quanterix Corporation ("QTRX") . . . . .		56,530,992.56		44,922,388.35	According to the management judgment	Sales
Genapsys, Inc ("Genapsys") . . . . .			7,843,147.87		According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric") . . . . .		101,120,148.44		19,769,016.55	According to the management judgment	Sales
Pionyr Immunotherapeutics, Inc ("Pionyr") . . . . .		90,375,825.04		29,662,081.83	According to the management judgment	Sales
Beam Therapeutics, Inc ("Beam") . . . . .		102,249,676.45		26,236,992.96	According to the management judgment	Sales
Vividion Therapeutics ("Vividion") . . . . .			759,127.05		According to the management judgment	
Gritstone Oncology, Inc ("Gritstone") . . . . .			86,179,535.98		According to the management judgment	
MeiraGTx, LLC ("MeiraGTx") . . . . .		15,051,645.53			According to the management judgment	
Rgenix, Inc ("Rgenix") . . .			3,921,616.49		According to the management judgment	
Cold Genesys, Inc ("Cold") . . . . .			1,138,714.35		According to the management judgment	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31/12/2019

Item	Dividend income recognized during the year	Accumulated gain	Accumulated loss	Amount of retained earnings transferred from other comprehensive income	Reason for designation as at fair value through over comprehensive income	Reason for transfer from other comprehensive income to retained earnings
Quanterix Corporation ("QTRX") . . . . .		87,900,761.96		24,310,789.71	According to the management judgment	Sales
Gritstone Oncology, Inc ("Gritstone"). . . . .		-14,329,720.47		2,485,695.52	According to the management judgment	Sales
Changzhou Shanlan Medical Investment Partnership (limited Partnership) . . .	4,776,305.24				According to the management judgment	
Fujian Pingtan Dazheng Investment Partnership (limited Partnership) . . .	7,651,477.94				According to the management judgment	
Genapsys, Inc ("Genapsys") . . . . .		2,595,575.60			According to the management judgment	
Oric Pharmaceuticals, Inc ("Oric"). . . . .		1,318,710.72			According to the management judgment	
Pionyr Immunotherapeutics, Inc ("Pionyr") . . . . .		519,104.65			According to the management judgment	
Beam Therapeutics, Inc ("Beam") . . . . .		519,104.73			According to the management judgment	
Vividion Therapeutics ("Vividion") . . . . .		1,119,842.47			According to the management judgment	
MeiraGTx, LLC ("MeiraGTx") . . . . .		33,305,291.68			According to the management judgment	
Rgenix, Inc ("Rgenix") . . .		1,297,761.83			According to the management judgment	
Cold Genesys, Inc ("Cold"). . . . .		1,366,578.34			According to the management judgment	

*Note:* the above accumulative gains and accumulative losses are the amounts before the deduction of income tax effects.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (14) Other non-current financial assets

Item	31/12/2021	31/12/2020	31/12/2019
Junshi Biosciences . . . . .		800,538,100.00	349,532,110.00
Guizhou Yizhiying Technology Co., Ltd. . . . .	6,500,000.00	6,500,000.00	
Suzhou Prius Gene Technology Co., Ltd. . . . .	10,000,000.00		
Shining 3d Tech Co., Ltd. . . . .	77,340,000.00		
Total . . . . .	93,840,000.00	807,038,100.00	349,532,110.00

*Note:* In 2019, the Company held 22 million shares of Junshi Biosciences listed in the National SME Share Transfer System. The initial investment cost and the closing price on 31 December 2018 were RMB9.00/share and RMB19.00/share respectively. The Company sold 12.129 million shares in total by means of agreement transfer and market making transfer. The transfer price (after deducting transaction expenses) amounts to RMB301,444,000; In 2019, the total amount of investment income and fair value change income related to Junshi Biosciences was recognized as RMB232,976,100; As of 31 December 2020, the company held 9,871,000 shares of Junshi Biosciences. Since 25 September 2019, it has been suspended in the National SME share transfer system. On 15 July 2020, Junshi Biosciences Transfer Board was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. The lock-up period of the shares held by the company is 12 months from the listing of the Science and Innovation Board. As of 31 December 2021, the Company has disposed of its shareholding in Junshi Biosciences.

## (15) Investment properties

### Investment properties at cost method

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2018 . . . . .	108,849,957.41	2,929,797.60	111,779,755.01
(2) Increase during the year . . . . .	70,110,131.82		70,110,131.82
— Transfers from inventories/fixed assets/construction in progress . . . . .	70,110,131.82		70,110,131.82
(3) Decrease during the year . . . . .	8,371,661.74		8,371,661.74
— Disposals . . . . .	843,703.00		843,703.00
— Transfers to fixed assets . . . . .	7,527,958.74		7,527,958.74
(4) 31/12/2019 . . . . .	170,588,427.49	2,929,797.60	173,518,225.09
2. Accumulated depreciation or amortization			
(1) 31/12/2018 . . . . .	24,038,777.04	270,197.25	24,308,974.29
(2) Increase during the year . . . . .	13,708,058.07	78,252.42	13,786,310.49
— Provision made or amortization . . . . .	3,752,674.63	78,252.42	3,830,927.05
— Transfers from fixed assets . . . . .	9,955,383.44		9,955,383.44
(3) Decrease during the year . . . . .	2,433,024.37		2,433,024.37
— Disposals . . . . .	327,286.67		327,286.67
— Transfers to fixed assets . . . . .	2,105,737.70		2,105,737.70
(4) 31/12/2019 . . . . .	35,313,810.74	348,449.67	35,662,260.41
3. Provision for impairment			
(1) 31/12/2018 . . . . .			
(2) Increase during the year . . . . .			
— Provision made . . . . .			

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Buildings	Land use rights	Total
(3) Decrease during the year . . . — Disposals . . . . .			
(4) 31/12/2019 . . . . .			
4. Carrying value			
(1) Carrying value at 31/12/2019 . . . . .	135,274,616.75	2,581,347.93	137,855,964.68
(2) Carrying value at 31/12/2018 . . . . .	84,811,180.37	2,659,600.35	87,470,780.72

*Note:* On 11, May 2016, the Company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The principal creditor's right guaranteed is RMB375,000,000, and the mortgage period is from 11 May 2016 to 10 December 2023. The collateral is the building. As of 31 December 2019, housing buildings with a net value of RMB13,491,503.84 were still under mortgage.

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2019 . . . . .	170,588,427.49	2,929,797.60	173,518,225.09
(2) Increase during the year . . . — Purchases . . . . . — Additions due to business combinations involving entities not under common control . . . . .	174,336,478.06 15,888,440.37 158,448,037.69		174,336,478.06 15,888,440.37 158,448,037.69
(3) Decrease during the year . . . — Disposals . . . . .	1,628,088.00 1,628,088.00		1,628,088.00 1,628,088.00
(4) 31/12/2020 . . . . .	343,296,817.55	2,929,797.60	346,226,615.15
2. Accumulated depreciation or amortization			
(1) 31/12/2019 . . . . .	35,313,810.74	348,449.67	35,662,260.41
(2) Increase during the year . . . — Provision made or amortization . . . . . — Additions due to business combinations involving entities not under common control . . . . .	18,523,901.99 10,578,591.58 7,945,310.41	78,252.42 78,252.42	18,602,154.41 10,656,844.00 7,945,310.41
(3) Decrease during the year . . . — Disposals . . . . .	682,990.01 682,990.01		682,990.01 682,990.01
(4) 31/12/2020 . . . . .	53,154,722.72	426,702.09	53,581,424.81
3. Provision for impairment			
(1) 31/12/2019 . . . . .			
(2) Increase during the year . . . — Provision made . . . . .			
(3) Decrease during the year . . . — Disposals . . . . .			
(4) 31/12/2020 . . . . .			
4. Carrying value			
(1) Carrying value at 31/12/2020 . . . . .	290,142,094.83	2,503,095.51	292,645,190.34
(2) Carrying value at 31/12/2019 . . . . .	135,274,616.75	2,581,347.93	137,855,964.68

*Note:* On 11 May 2016, the Company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The amount of the principal creditor's right guaranteed is RMB375,000,000. The mortgage period starts from 11 May 2016 to 10 December 2023. The collateral is the building. As of 31 December 2020, the housing buildings with a net value of RMB12,839,552.40 are still under mortgage.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Buildings	Land use rights	Total
1. Original carrying amount			
(1) 31/12/2020 . . . . .	343,296,817.55	2,929,797.60	346,226,615.15
(2) Increase during the year . . .	38,957,815.23		38,957,815.23
— Transfers from inventories/fixed assets/construction in progress . . . . .	38,957,815.23		38,957,815.23
(3) Decrease during the year . . .	1,490,000.00		1,490,000.00
— Disposals . . . . .	1,490,000.00		1,490,000.00
(4) 31/12/2021 . . . . .	380,764,632.78	2,929,797.60	383,694,430.38
2. Accumulated depreciation or amortization			
(1) 31/12/2020 . . . . .	53,154,722.72	426,702.09	53,581,424.81
(2) Increase during the year . . .	13,854,373.15	78,252.42	13,932,625.57
— Provision made or amortization . . . . .	12,697,575.56	78,252.42	12,775,827.98
— Transfers from inventories/fixed assets/construction in progress . . . . .	1,156,797.59		1,156,797.59
(3) Decrease during the year . . .	1,415,500.00		1,415,500.00
— Disposals . . . . .	1,415,500.00		1,415,500.00
(4) 31/12/2021 . . . . .	65,593,595.87	504,954.51	66,098,550.38
3. Provision for impairment			
(1) 31/12/2020 . . . . .			
(2) Increase during the year . . .			
— Provision made . . . . .			
(3) Decrease during the year . . .			
— Disposals . . . . .			
(4) 31/12/2021 . . . . .			
4. Carrying value			
(1) Carrying value at 31/12/2021 . . . . .	315,171,036.91	2,424,843.09	317,595,880.00
(2) Carrying value at 31/12/2020 . . . . .	290,142,094.83	2,503,095.51	292,645,190.34

*Note:* On 11 May 2016, the company signed a mortgage contract with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The principal creditor's right guaranteed is RMB375,000,000. The mortgage period is from 11 May 2016 to 10, December 2023, and the mortgaged property is house and building. The company has repaid the mortgage in advance in 2021, and the mortgage was removed.

### (16) Fixed assets

#### (1) Fixed assets and disposal of fixed assets

Item	2021.12.31	2020.12.31	2019.12.31
Fixed assets . . . . .	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33
Disposal of fixed assets . . . . .			
Total . . . . .	2,182,280,171.68	2,079,038,979.60	1,478,822,271.33



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## (2) Breakdown of fixed assets

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2018 . . . . .	989,143,071.47	871,121,897.46	48,977,337.48	261,614,419.58	2,170,856,725.99
(2) Increase during the year . . . . .	118,837,020.06	289,288,042.16	2,680,103.25	57,433,990.81	468,239,156.28
— Purchases . . . . .	8,942,595.44	111,446,701.29	1,700,474.94	36,735,340.42	158,825,112.09
— Transfers from construction in progress . . . . .	63,831,385.60	131,198,333.86	265,000.76	11,361,718.82	206,656,439.04
— Additions due to business combinations involving entities not under common control . . .	38,535,080.28	46,643,007.01	714,627.55	9,336,931.57	95,229,646.41
— Transfers from investment properties . . . . .	7,527,958.74				7,527,958.74
(3) Decrease during the year . . . . .	87,286,062.79	6,330,544.24	2,566,402.49	8,473,441.21	104,656,450.73
— Disposal or retirement . . . . .	17,175,930.97	6,330,544.24	2,566,402.49	8,473,441.21	34,546,318.91
— Transfers to investment properties . . . . .	70,110,131.82				70,110,131.82
(4) 31/12/2019 . . . . .	1,020,694,028.74	1,154,079,395.38	49,091,038.24	310,574,969.18	2,534,439,431.54
2. Accumulated depreciation					
(1) 31/12/2018 . . . . .	227,390,664.18	459,393,918.22	31,194,583.25	159,946,986.07	877,926,151.72
(2) Increase during the year . . . . .	42,834,565.34	97,414,112.84	5,626,224.87	47,823,615.88	193,698,518.93
— Provision made. . . . .	37,636,658.26	89,962,472.30	5,382,523.16	43,907,340.53	176,888,994.25
— Additions due to business combinations involving entities not under common control . . .	3,092,169.38	7,451,640.54	243,701.71	3,916,275.35	14,703,786.98
— Transfers from investment properties . . . . .	2,105,737.70				2,105,737.70
(3) Decrease during the year . . . . .	16,940,469.70	5,220,992.31	2,370,259.01	5,785,254.56	30,316,975.58
— Disposal or retirement . . . . .	6,985,086.26	5,220,992.31	2,370,259.01	5,785,254.56	20,361,592.14
— Transfers to investment properties . . . . .	9,955,383.44				9,955,383.44
(4) 31/12/2019 . . . . .	253,284,759.82	551,587,038.75	34,450,549.11	201,985,347.39	1,041,307,695.07
3. Provision for impairment					
(1) 31/12/2018 . . . . .	13,275,844.55	56,592.37		977,028.22	14,309,465.14
(2) Increase during the year . . . . .					
— Provision made. . . . .					
(3) Decrease during the year . . . . .					
— Disposal or retirement . . . . .					
(4) 31/12/2019 . . . . .	13,275,844.55	56,592.37		977,028.22	14,309,465.14
4. Carrying value					
(1) Carrying value at 31/12/2019 . . .	754,133,424.37	602,435,764.26	14,640,489.13	107,612,593.57	1,478,822,271.33
(2) Carrying value at 31/12/2018 . . .	748,476,562.74	411,671,386.87	17,782,754.23	100,690,405.29	1,278,621,109.13

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Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2019 . . . . .	1,020,694,028.74	1,154,079,395.38	49,091,038.24	310,574,969.18	2,534,439,431.54
(2) Increase during the year . . . . .	542,410,895.27	234,025,865.05	4,421,430.45	98,662,691.44	879,520,882.21
— Purchases . . . . .	29,271,007.24	75,943,641.47	3,361,858.30	84,295,415.36	192,871,922.37
— Transfers from construction in progress . . . . .	313,922,374.13	135,677,367.84	457,522.12	6,308,031.49	456,365,295.58
— Additions due to business combinations involving entities not under common control . . .	199,217,513.90	21,754,649.70	602,050.03	8,059,244.59	229,633,458.22
— Transfers from inventories . . .		650,206.04			650,206.04
(3) Decrease during the year . . . . .	17,018,786.71	47,404,993.71	9,031,475.70	17,806,924.85	91,262,180.97
— Disposal or retirement . . . . .	17,018,786.71	47,404,993.71	9,031,475.70	17,806,924.85	91,262,180.97
(4) 31/12/2020 . . . . .	1,546,086,137.30	1,340,700,266.72	44,480,992.99	391,430,735.77	3,322,698,132.78
2. Accumulated depreciation					
(1) 31/12/2019 . . . . .	253,284,759.82	551,587,038.75	34,450,549.11	201,985,347.39	1,041,307,695.07
(2) Increase during the year . . . . .	48,988,042.11	124,283,866.88	5,980,856.29	51,898,530.42	231,151,295.70
— Provision made . . . . .	40,912,878.66	107,808,913.15	5,420,340.54	46,384,712.10	200,526,844.45
— Additions due to business combinations involving entities not under common control . . .	8,075,163.45	16,474,953.73	560,515.75	5,513,818.32	30,624,451.25
(3) Decrease during the year . . . . .	6,137,322.85	17,854,032.24	7,425,091.58	10,724,991.82	42,141,438.49
— Disposal or retirement . . . . .	6,137,322.85	17,854,032.24	7,425,091.58	10,724,991.82	42,141,438.49
(4) 31/12/2020 . . . . .	296,135,479.08	658,016,873.39	33,006,313.82	243,158,885.99	1,230,317,552.28
3. Provision for impairment					
(1) 31/12/2019 . . . . .	13,275,844.55	56,592.37		977,028.22	14,309,465.14
(2) Increase during the year . . . . .					
— Provision made . . . . .					
(3) Decrease during the year . . . . .				967,864.24	967,864.24
— Disposal or retirement . . . . .				967,864.24	967,864.24
(4) 31/12/2020 . . . . .	13,275,844.55	56,592.37		9,163.98	13,341,600.90
4. Carrying value					
(1) Carrying value at 31/12/2020 . . .	1,236,674,813.67	682,626,800.96	11,474,679.17	148,262,685.80	2,079,038,979.60
(2) Carrying value at 31/12/2019 . . .	754,133,424.37	602,435,764.26	14,640,489.13	107,612,593.57	1,478,822,271.33

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Buildings	Machinery and equipment	Transportation equipment	Office & other equipment	Total
1. Original carrying amount					
(1) 31/12/2020 . . . . .	1,546,086,137.30	1,340,700,266.72	44,480,992.99	391,430,735.77	3,322,698,132.78
(2) Increase during the year . . . . .	97,213,025.67	193,389,202.27	4,586,595.87	136,884,799.40	432,073,623.21
— Purchases . . . . .	4,348,153.57	129,227,574.55	2,986,155.76	126,276,921.33	262,838,805.21
— Transfers from construction in progress . . . . .	83,678,014.58	51,793,670.48	1,238,654.87	5,974,142.00	142,684,481.93
— Additions due to business combinations involving entities not under common control . . .	9,186,857.52	12,323,859.47	361,785.24	2,992,221.59	24,864,723.82
— Transfers from inventories . . .		44,097.77		1,641,514.48	1,685,612.25
(3) Decrease during the year . . . . .	38,957,815.23	66,180,786.77	2,984,006.40	29,364,755.46	137,487,363.86
— Disposal or retirement . . . . .		66,180,786.77	2,984,006.40	29,364,755.46	98,529,548.63
— Transfers to investment properties . . . . .	38,957,815.23				38,957,815.23
(4) 31/12/2021 . . . . .	1,604,341,347.74	1,467,908,682.22	46,083,582.46	498,950,779.71	3,617,284,392.13
2. Accumulated depreciation					
(1) 31/12/2020 . . . . .	296,135,479.08	658,016,873.39	33,006,313.82	243,158,885.99	1,230,317,552.28
(2) Increase during the year . . . . .	56,656,523.63	127,085,977.98	4,568,542.43	64,895,739.60	253,206,783.64
— Provision made . . . . .	52,515,506.41	119,033,618.83	4,390,630.68	63,668,223.44	239,607,979.36
— Additions due to business combinations involving entities not under common control . . .	4,141,017.22	8,052,359.15	177,911.75	1,227,516.16	13,598,804.28
(3) Decrease during the year . . . . .	1,156,797.59	40,193,168.05	2,803,602.50	17,730,863.84	61,884,431.98
— Disposal or retirement . . . . .		40,193,168.05	2,803,602.50	17,730,863.84	60,727,634.39
— Transfers to investment properties . . . . .	1,156,797.59				1,156,797.59
(4) 31/12/2021 . . . . .	351,635,205.12	744,909,683.32	34,771,253.75	290,323,761.75	1,421,639,903.94
3. Provision for impairment					
(1) 31/12/2020 . . . . .	13,275,844.55	56,592.37		9,163.98	13,341,600.90
(2) Increase during the year . . . . .				22,715.61	22,715.61
— Additions due to business combinations involving entities not under common control . . .				22,715.61	22,715.61
(3) Decrease during the year . . . . .					
— Disposal or retirement . . . . .					
(4) 31/12/2021 . . . . .	13,275,844.55	56,592.37		31,879.59	13,364,316.51
4. Carrying value					
(1) Carrying value at 31/12/2021 . . .	1,239,430,298.07	722,942,406.53	11,312,328.71	208,595,138.37	2,182,280,171.68
(2) Carrying value at 31/12/2020 . . .	1,236,674,813.67	682,626,800.96	11,474,679.17	148,262,685.80	2,079,038,979.60

**Notes:**

- (1) The Company signed a RMB fund mortgage contract with Industrial and Commercial Bank of China Limited Beijing Changping Sub-Branch on 21 June 2018. The collateral is the building. As of 31 December 2021, the building with a net value of RMB60,694,333.97 was still under mortgage. Please refer to the note “V. (36) Long-term Loan”.
- (2) The Company signed a RMB loan mortgage contract with China Development Bank Corporation Beijing Sub-Branch in December 2018, as refer to “V. (36) Long-term Loan” in this note. The collateral involves the buildings and land use rights. As of 31 December 2021, the buildings with a net value of RMB91,066,445.71 and the land use rights of RMB635,166,666.24 are still under mortgage.
- (3) On 25 October 2019, Zhejiang Lepu Pharmaceutical Co., Ltd., a subsidiary of the Company, signed a maximum mortgage contract with Industrial and Commercial Bank of China Limited Taizhou Sub-Branch for the amount of RMB163.69 million, during the mortgage period from 25 October 2019 to 11 June 2021. The mortgaged property is the house building and the land use right. As of 31 December 2021, the mortgage was removed.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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*(3) Breakdown of fixed assets leased through finance lease*

31/12/2019

<u>Item</u>	<u>Original carrying amount</u>	<u>Accumulated depreciation</u>	<u>Provision for impairment</u>	<u>Carrying value</u>
Machinery and equipment . . . . .	421,564.95	66,747.80		354,817.15
Total . . . . .	421,564.95	66,747.80		354,817.15

*(17) Construction in progress*

*Construction in progress and construction materials*

<u>Item</u>	<u>2021.12.31</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Construction in progress . . . . .	1,158,461,800.35	627,436,957.82	658,485,265.28
Construction materials . . . . .			
Total . . . . .	1,158,461,800.35	627,436,957.82	658,485,265.28

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## 1) Breakdown of construction in progress

Item	31/12/2021				31/12/2020				31/12/2019			
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Book balance	Provision for impairment	Carrying value	Carrying value
Lepu International Center Project. . . .	785,446,391.68		785,446,391.68	398,093,986.70		398,093,986.70	236,796,452.59		236,796,452.59		236,796,452.59	
Other engineering projects of Zhejiang Lepu Pharmaceutical Industry . . . . .	260,983,406.22		260,983,406.22	98,533,674.79		98,533,674.79	40,430,212.78		40,430,212.78		40,430,212.78	
Liaoning Boao Workshop construction project . . . . .	2,408,076.36		2,408,076.36	28,118,467.24		28,118,467.24	29,543,717.70		29,543,717.70		29,543,717.70	
Lepu Pharmaceutical Industry, Henan Jinshan Pharmaceutical Innovation Park, 22 # Building . . . .	2,385,080.53		2,385,080.53	25,311,972.50		25,311,972.50	449,834.86		449,834.86		449,834.86	
40 million powder needle workshop . .	34,413,992.31		34,413,992.31	8,867,965.92		8,867,965.92						
Lepu Medical electric cardiac pacemaker research and development base. .							213,521,213.94		213,521,213.94		213,521,213.94	
Zhejiang Lepu Pharmaceutical solid preparation technical transformation project research and development workshop . . . . .												
							26,427,198.13		26,427,198.13		26,427,198.13	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	31/12/2021			31/12/2020			31/12/2019				
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value		
Lepu Pharmaceutical, 3 billion tablets of solid pharmaceutical preparation workshop . . . . .							20,521,427.07		20,521,427.07		
Others . . . . .	72,850,522.82	25,669.57	72,824,853.25	68,510,890.67		68,510,890.67	90,795,208.21		90,795,208.21		
Total . . . . .	1,158,487,469.92	25,669.57	1,158,461,800.35	627,436,957.82		627,436,957.82	658,485,265.28		658,485,265.28		
2) Changes in significant construction in progress											
Name of project	Budget	31/12/2018	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Ratio of accumulated contribution to the construction to budget (%)	Progress of construction	Accumulated amount of capitalized interest	Including: capitalized amount of interest in the period	Rate of capitalization of interest in the period (%)	Source of funding
Zhejiang Lepu Pharmaceutical Preparation Building . . . . .	216,000,000.00	10,154,865.47	81,964,637.23	35,337,248.09		89.67	Under construction	56,782,254.61			Other
Lepu Medical electric cardiac pacemaker research and development base. . . . .	215,000,000.00	185,621,976.19	27,899,237.75			99.31	Under construction	213,521,213.94	1,759,333.33	5.00	Other
Lepu International Center Project . . . . .	1,500,000,000.00	132,749,347.73	104,047,104.86			15.79	Under construction	236,796,452.59	7,980,153.37	5.00	Other
3 billion tablets of solid pharmaceutical preparation workshop . . . . .	120,000,000.00	87,178,319.13	14,234,767.93	80,891,659.99		84.51	Under construction	20,521,427.07			Other
Total . . . . .	2,051,000,000.00	415,704,508.52	228,145,747.77	116,228,908.08				527,621,348.21	9,739,486.70		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of project	Budget	31/12/2019	Amount transfer to fixed assets in the period		Other decreased amount in the period	31/12/2020	Ratio of accumulated contribution to the construction to budget (%)		Progress of construction	Accumulated amount of capitalized interest	Including: capitalized interest in the period	Rate of capitalization of interest in the period (%)	Source of funding
			Increase in the period	fixed assets in the period			construction to budget	(%)					
Lepu International Center Project . . . . .	1,500,000,000.00	236,796,452.59	161,297,534.11			398,093,986.70	26.54	Under construction	20,385,293.31	10,177,680.15	4.15	Other	
Zhejiang Lepu Pharmaceutical Preparation Building . . . . .	216,000,000.00	56,782,254.61	21,072,700.76	75,107,922.71		2,747,032.66	99.43	The main project has been accepted and transferred into fixed assets, and some fire control project has not been transferred into fixed assets				Other	
Lepu Medical electric cardiac pacemaker research and development base . . . . .	242,000,000.00	213,521,213.94	8,663,553.06	222,184,767.00			100.00	Completed, transferred to fixed assets	6,322,102.14	1,687,666.64	4.15	Other	
Lepu Pharmaceutical, 3 billion tablets of solid pharmaceutical preparation workshop . . . . .	120,000,000.00	20,521,427.07	3,040,382.34	23,561,809.41			100.00	Completed, transferred to fixed assets				Other	
Total . . . . .		527,621,348.21	194,074,170.27	320,854,499.12		400,841,019.36			26,707,395.45	11,865,346.79			

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of project	Budget	31/12/2020	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	31/12/2021	Ratio of accumulated contribution to the construction to budget		Progress of construction	Accumulated amount of capitalized interest	Including: capitalized amount of interest in the period	Rate of capitalization of interest in the period	Source of funding
							(%)	(%)				(%)	
Lepu International Project . . . . .	2,100,000,000.00	398,093,986.70	387,352,404.98			785,446,391.68	37.40		Under construction	37,051,772.15	16,666,478.84	3.85	Other
Zhejiang Lepu Pharmaceutical Preparation Building . . . . .	216,000,000.00	2,747,032.66	7,898,467.35	10,645,500.01			100.00		Completed, transferred to fixed assets				Other
Total . . . . .		400,841,019.36	395,250,872.33	10,645,500.01		785,446,391.68				37,051,772.15	16,666,478.84		



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### (18) *Right-of-use assets*

Item	Buildings and structures	Total
1. Original carrying amount		
(1) Beginning balance (1/1/2021) . . . . .	108,459,673.00	108,459,673.00
(2) Increase for the year . . . . .	142,316,309.86	142,316,309.86
— Increase in leases . . . . .	135,597,071.14	135,597,071.14
— Additions due to business combinations involving entities not under common control . . . . .	6,719,238.72	6,719,238.72
(3) Decrease for the year . . . . .	6,376,478.17	6,376,478.17
— Disposal or retirement . . . . .	6,376,478.17	6,376,478.17
(4) Ending balance (31/12/2021) . . . . .	244,399,504.69	244,399,504.69
2. Accumulated depreciation		
(1) Beginning balance (1/1/2021) . . . . .		
(2) Increase for the year . . . . .	58,081,655.64	58,081,655.64
— Provision made . . . . .	56,368,953.31	56,368,953.31
— Additions due to business combinations involving entities not under common control . . . . .	1,712,702.33	1,712,702.33
(3) Decrease for the year . . . . .	3,004,086.51	3,004,086.51
— Disposal . . . . .	3,004,086.51	3,004,086.51
(4) Ending balance (31/12/2021) . . . . .	55,077,569.13	55,077,569.13
3. Provision for impairment		
(1) Beginning balance (1/1/2021) . . . . .		
(2) Increase for the year . . . . .		
— Provision made . . . . .		
(3) Decrease for the year . . . . .		
— Transfers to fixed assets . . . . .		
(4) Ending balance (31/12/2021) . . . . .		
4. Carrying value		
(1) Carrying value at 31/12/2021 . . . . .	189,321,935.56	189,321,935.56
(2) Carrying value at 1/1/2021 . . . . .	108,459,673.00	108,459,673.00

### (19) *Intangible assets*

#### *Breakdown of intangible assets*

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2018 . . . . .	1,047,268,454.25	300,934,131.42	245,346,838.96	83,223,696.27	1,676,773,120.90
(2) Increase for the year . . . . .	68,457,951.55	115,239,083.29	136,375,199.51	5,761,353.82	325,833,588.17
— Purchase . . . . .	58,274,736.80	2,510,740.92	721,246.16	5,692,753.82	67,199,477.70
— Internal research & development . . . . .		69,562,042.01	48,611,130.31		118,173,172.32
— Additions due to business combinations involving entities not under common control . . . . .	10,183,214.75	43,166,300.36	87,042,823.04	68,600.00	140,460,938.15
(3) Decrease for the year . . . . .	20,173,531.54				20,173,531.54
— Disposal . . . . .	20,173,531.54				20,173,531.54
(4) 31/12/2019 . . . . .	1,095,552,874.26	416,173,214.71	381,722,038.47	88,985,050.09	1,982,433,177.53

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
2. Accumulated amortization					
(1) 31/12/2018. . . . .	96,908,753.58	151,443,347.30	62,301,721.47	29,892,467.76	340,546,290.11
(2) Increase for the year . .	37,418,557.41	71,149,574.89	39,763,182.08	10,808,025.25	159,139,339.63
— Provision made. . . .	36,010,053.16	45,254,845.31	37,104,540.45	10,808,025.25	129,177,464.17
— Additions due to business combinations involving entities not under common control . . . . .	1,408,504.25	25,894,729.58	2,658,641.63		29,961,875.46
(3) Decrease for the year . .	638,092.26				638,092.26
— Disposal. . . . .	638,092.26				638,092.26
(4) 31/12/2019. . . . .	133,689,218.73	222,592,922.19	102,064,903.55	40,700,493.01	499,047,537.48
3. Provision for impairment					
(1) 31/12/2018. . . . .					
(2) Increase for the year . .					
— Provision made. . . .					
(3) Decrease for the year . .					
— Disposal. . . . .					
(4) 31/12/2019. . . . .					
4. Carrying value					
(1) Carrying value at 31/12/2019. . . . .	961,863,655.53	193,580,292.52	279,657,134.92	48,284,557.08	1,483,385,640.05
(2) Carrying value at 31/12/2018. . . . .	950,359,700.67	149,490,784.12	183,045,117.49	53,331,228.51	1,336,226,830.79

As of 31 December 2019, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 11.99% of the balance of intangible assets.

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2019. . . . .	1,095,552,874.26	416,173,214.71	381,722,038.47	88,985,050.09	1,982,433,177.53
(2) Increase for the year . .	19,983,757.76	52,264,862.66	38,068,064.59	8,890,088.35	119,206,773.36
— Purchase . . . . .	4,144,219.60	3,362,319.67	362,773.07	5,086,741.33	12,956,053.67
— Internal research & development . . . . .		43,407,584.69	37,705,291.52	6,873.02	81,119,749.23
— Additions due to business combinations involving entities not under common control . . . . .	15,839,538.16	5,494,958.30		3,796,474.00	25,130,970.46
(3) Decrease for the year . .		4,304,100.09	15,958,862.31	490,390.51	20,753,352.91
— Disposal. . . . .				33,802.08	33,802.08
— Invalid and terminated confirmation . . . . .		4,304,100.09	15,958,862.31	456,588.43	20,719,550.83
(4) 31/12/2020. . . . .	1,115,536,632.02	464,133,977.28	403,831,240.75	97,384,747.93	2,080,886,597.98

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
2. Accumulated amortization					
(1) 31/12/2019 . . . . .	133,689,218.73	222,592,922.19	102,064,903.55	40,700,493.01	499,047,537.48
(2) Increase for the year . .	38,574,500.66	56,450,448.23	87,434,347.47	19,894,021.51	202,353,317.87
— Provision made. . . . .	36,693,638.40	56,267,282.95	87,434,347.47	19,876,467.47	200,271,736.29
— Additions due to business combinations involving entities not under common control . . . . .	1,880,862.26	183,165.28		17,554.04	2,081,581.58
(3) Decrease for the year . .		4,304,100.09	15,958,862.31	476,104.56	20,739,066.96
— Disposal. . . . .				19,516.13	19,516.13
— Invalid and terminated confirmation . . . . .		4,304,100.09	15,958,862.31	456,588.43	20,719,550.83
(4) 31/12/2020 . . . . .	172,263,719.39	274,739,270.33	173,540,388.71	60,118,409.96	680,661,788.39
3. Provision for impairment					
(1) 31/12/2019 . . . . .					
(2) Increase for the year . .		650,811.61	13,675,370.41		14,326,182.02
— Provision made. . . . .		650,811.61	13,675,370.41		14,326,182.02
(3) Decrease for the year . .					
— Disposal. . . . .					
(4) 31/12/2020 . . . . .		650,811.61	13,675,370.41		14,326,182.02
4. Carrying value					
(1) Carrying value at 31/12/2020 . . . . .	943,272,912.63	188,743,895.34	216,615,481.63	37,266,337.97	1,385,898,627.57
(2) Carrying value at 31/12/2019 . . . . .	961,863,655.53	193,580,292.52	279,657,134.92	48,284,557.08	1,483,385,640.05

As of 31 December 2020, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 15.16% of the balance of intangible assets.

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
1. Original carrying amount					
(1) 31/12/2020 . . . . .	1,115,536,632.02	464,133,977.28	403,831,240.75	97,384,747.93	2,080,886,597.98
(2) Increase for the year . .	45,904,943.73	56,643,798.19	69,585,178.05	18,413,494.95	190,547,414.92
— Purchase . . . . .	37,845,177.73	330,142.99		7,682,228.45	45,857,549.17
— Internal research & development . . . . .		42,931,244.47	19,630,511.41		62,561,755.88
— Additions due to business combinations involving entities not under common control . . . . .	8,059,766.00	13,382,410.73	49,954,666.64	10,731,266.50	82,128,109.87

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Land use rights	Patent rights	Non-patent rights	Others	Total
(3) Decrease for the year . . . . .		30,681,190.22	28,913,423.32	11,965.81	59,606,579.35
— Disposal. . . . .				11,965.81	11,965.81
— Invalid and terminated confirmation . . . . .		30,681,190.22	28,913,423.32		59,594,613.54
(4) 31/12/2021 . . . . .	1,161,441,575.75	490,096,585.25	444,502,995.48	115,786,277.07	2,211,827,433.55
2. Accumulated amortization					
(1) 31/12/2020 . . . . .	172,263,719.39	274,739,270.33	173,540,388.71	60,118,409.96	680,661,788.39
(2) Increase for the year . . . . .	38,488,897.13	85,670,386.51	37,173,706.85	16,465,391.39	177,798,381.88
— Provision made. . . . .	38,025,231.13	82,117,375.78	29,352,373.87	15,949,808.18	165,444,788.96
— Additions due to business combinations involving entities not under common control . . . . .	463,666.00	3,553,010.73	7,821,332.98	515,583.21	12,353,592.92
(3) Decrease for the year . . . . .		30,681,190.22	24,330,738.64	3,988.80	55,015,917.66
— Disposal. . . . .				3,988.80	3,988.80
— Invalid and terminated confirmation . . . . .		30,681,190.22	24,330,738.64		55,011,928.86
(4) 31/12/2021 . . . . .	210,752,616.52	329,728,466.62	186,383,356.92	76,579,812.55	803,444,252.61
3. Provision for impairment					
(1) 31/12/2020 . . . . .		650,811.61	13,675,370.41		14,326,182.02
(2) Increase for the year . . . . .					
— Provision made. . . . .					
(3) Decrease for the year . . . . .			4,582,684.68		4,582,684.68
— Disposal. . . . .					
— Invalid and terminated confirmation . . . . .			4,582,684.68		4,582,684.68
(4) 31/12/2021 . . . . .		650,811.61	9,092,685.73		9,743,497.34
4. Carrying value					
(1) Carrying value at 31/12/2021 . . . . .	950,688,959.23	159,717,307.02	249,026,952.83	39,206,464.52	1,398,639,683.60
(2) Carrying value at 31/12/2020 . . . . .	943,272,912.63	188,743,895.34	216,615,481.63	37,266,337.97	1,385,898,627.57

As of 31 December 2021, the intangible assets arising from the Company's internal research and development of intangible assets accounted for 16.14% of the balance of intangible assets. See "V. (16)" for the mortgage of intangible assets.

**(20) Research and development expenses**

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Item	Increase for the year		Decrease for the year			Year-end R&D progress			
	31/12/2019	Internal research and development expense	Additions due to business combinations	Recognized as intangible assets	Transferred to current profit		Provision for impairment		
Renal artery catheter and equipment	8,197,424.74	273,118.67							
Suitable preparation for diabetes mellitus	358,860,289.97	30,955,717.73							
Heart plugging device	54,996,924.61	12,046,734.52							
Surgical auxiliary instruments	7,915,148.94	6,777,864.98							
Molecular diagnostic reagents and other products	10,220,859.45								
The Digital DSA Project	4,213,498.56	514,940.06							
Fully automatic chemiluminescence equipment, enzyme immunity and software development	16,880,904.58								
Canyon liver fibroelastic equipment	10,312,874.17	1,075,489.60							
Home Smart Medical Devices	8,162,542.67	3,733,299.13							
Ball bag project	10,185,162.58	7,590,256.86							
AI-related software and hardware development	5,977,047.73	4,079,440.47							
Catheter project.		9,071,944.82							
Others	29,507,563.72	17,239,997.87							
Total	525,430,241.72	93,358,804.71							

Capitalization start point	31/12/2020	Detailed basis for capitalization	Year-end R&D progress
	8,470,543.41	According to the accounting standards for enterprises;	
	389,816,007.70	1, there is no material obstacle in the technical realization of R & D projects;	
	42,850,475.30	2, R & D project satisfies the mass production conditions;	
	14,693,013.92	3, from expected market demand for the products or services, future economic benefits are expected to flow to the Company; 4, R & D expenditure can be reliably measured and collected; the listed projects satisfy the conditions for R & D expenditure capitalization.	
	1,162,899.46		
	201,516.00		

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Increase for the year		Decrease for the year			Year-end R & D progress
	31/12/2020	Internal research and development expense	Additions due to business combinations involving entities not under common control	Recognized as intangible assets	Transferred to current profit or loss	
Suitable preparation for diabetes mellitus . . . . .	389,816,007.70	28,477,583.04		1,800,000.00		
Heart plugging device . . . . .	42,850,475.30	34,201,898.02		23,739,678.60		
Catheter project. . . . .	9,071,944.82	45,290,847.40		3,218,352.05		
Valvular project. . . . .		39,325,527.45				
Digital project platform construction . . . . .		22,730,178.82				
Renal artery catheter and equipment . . . . .	8,470,543.41	469,323.23				
Surgical auxiliary instruments . . . . .	14,693,013.92	3,809,877.39				
The Digital DSA Project . . . . .	1,162,899.46	4,310,207.99		9,836,252.92		
AI-related software and hardware development . . . . .	4,581,912.98	5,326,596.11		7,259,480.36		
Fully automatic chemiluminescence equipment, enzyme immunity and software development . . . . .	201,516.00			201,516.00		
Others . . . . .	42,880,136.66	18,477,153.78	57,907,271.65	16,506,475.95		
Total . . . . .	513,728,450.25	202,419,193.23	57,907,271.65	62,561,755.88		
					416,493,590.74	According to the accounting standards for enterprises: 1, there is no material obstacle in the technical realization of R & D projects; 2, R & D project satisfies the mass production conditions; 3, from expected market demand for the products or services, future economic benefits are expected to flow to the Company; 4, R & D expenditure can be reliably measured and collected; the listed projects satisfy the conditions for R & D expenditure capitalization.
					53,312,694.72	
					51,144,440.17	
					39,325,527.45	
					22,730,178.82	
					8,939,866.64	
					8,666,638.39	
					5,473,107.45	
					2,649,028.73	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (21) Goodwill

### Changes in goodwill

Investee Companies or matters forming goodwill	31/12/2018	Increase during the year	Decrease during the year		31/12/2019
		Business combinations	Provision made	Disposal	
Book value					
Shanghai Shape Memory Alloy Material Co., Ltd. . . . .	48,281,830.04				48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd. . . . .	9,342,820.07				9,342,820.07
Beijing Star GK Medical Device Co., Ltd. . . . .	121,871,085.31				121,871,085.31
Comed B.V. . . . .	18,585,245.77				18,585,245.77
Lepu Medical Electronics Technology Co., Ltd. . . . .	47,855,359.94				47,855,359.94
Lepu Pharmaceutical Co., Ltd. . . . .	310,645,774.09				310,645,774.09
Beijing Haihetian Technology Development Co., Ltd. . . . .	84,686,478.35				84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd. . . . .	20,119,884.31				20,119,884.31
Beijing Lejian Medical Investment Co., Ltd. . . . .	58,498,557.73				58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	374,821,392.22				374,821,392.22
Yantai Addcare Bio-Tech Limited Company . . . . .	161,437,254.14				161,437,254.14
Hainan MSD Pharmaceutical Co., Ltd. . . . .	10,028,862.19				10,028,862.19
Ningbo Bingkun Medical Technology Co., Ltd. . . . .	532,643,436.89				532,643,436.89
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	102,648,567.78				102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd. . . . .	81,138,405.26				81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd. . . . .	39,517,205.84				39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd. . . . .	46,445,203.02				46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd. . . . .	63,095,761.52				63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd. . . . .	6,222,591.99				6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd. . . . .	5,630,100.00				5,630,100.00
Shenzhen Carewell Electronics Co., Ltd. . . . .	38,074,178.51				38,074,178.51
Shenzhen Creative Industry Co., Ltd. . . . .	44,440,139.86				44,440,139.86



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee Companies or matters forming goodwill	31/12/2018	Increase during the year	Decrease during the year		31/12/2019
		Business combinations	Provision made	Disposal	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .		258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.). . . . .		339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd. . . . .		66,708,602.76			66,708,602.76
Sub-total . . . . .	2,226,030,134.83	665,352,460.04	10,028,862.19		2,891,382,594.87
Provision for impairment . . . . .					
Comed B.V. . . . .	18,585,245.77				18,585,245.77
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	35,889,505.24				35,889,505.24
Hainan MSD Pharmaceutical Co., Ltd. . . . .	10,028,862.19				10,028,862.19
Beijing Star GK Medical Device Co., Ltd. . . . .			60,186,381.16		60,186,381.16
Lepu Medical Electronics Technology Co., Ltd. . . . .			47,855,359.94		47,855,359.94
Sub-total . . . . .	64,503,613.20		108,041,741.10		172,545,354.30
Carrying value . . . . .	2,161,526,521.63		557,310,718.94		2,718,837,240.57

Investee Companies or matters forming goodwill	31/12/2019	Increase during the year	Decrease during the year	31/12/2020
		Business combinations	Disposal	
Book value				
Shanghai Shape Memory Alloy Material Co., Ltd.. . . . .	48,281,830.04			48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd.. . . . .	9,342,820.07			9,342,820.07
Beijing Star GK Medical Device Co., Ltd.. . . . .	121,871,085.31			121,871,085.31
Comed B.V. . . . .	18,585,245.77			18,585,245.77
Lepu Medical Electronics Technology Co., Ltd.. . . . .	47,855,359.94			47,855,359.94
Lepu Pharmaceutical Co., Ltd.. . . . .	310,645,774.09			310,645,774.09
Beijing Haihetian Technology Development Co., Ltd. . . . .	84,686,478.35			84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd. . . . .	20,119,884.31			20,119,884.31
Beijing Lejian Medical Investment Co., Ltd.. . . . .	58,498,557.73			58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd.. . . . .	374,821,392.22			374,821,392.22
Yantai Addcare Bio-Tech Limited Company . . . . .	161,437,254.14			161,437,254.14
Hainan MSD Pharmaceutical Co., Ltd.. . . . .	10,028,862.19		10,028,862.19	
Ningbo Bingkun Medical Technology Co., Ltd.. . . . .	532,643,436.89			532,643,436.89

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee Companies or matters forming goodwill	31/12/2019	Increase during the year	Decrease during the year	31/12/2020
		Business combinations	Disposal	
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	102,648,567.78			102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd. . . . .	81,138,405.26			81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd. . . . .	39,517,205.84			39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd. . . . .	46,445,203.02			46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd. . . .	63,095,761.52			63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd. . . . .	6,222,591.99			6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd. . . . .	5,630,100.00			5,630,100.00
Shenzhen Carewell Electronics Co., Ltd. .	38,074,178.51			38,074,178.51
Shenzhen Creative Industry Co., Ltd. . . .	44,440,139.86			44,440,139.86
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.) . . . . .	339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd. . .	66,708,602.76			66,708,602.76
Shaanxi Xingtai Biotechnology Co., Ltd. .		43,619,177.73		43,619,177.73
IPE Biotechnology Co., Ltd . . . . .		2,778,719.69		2,778,719.69
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd) . . .		6,372,201.50		6,372,201.50
Sub-total . . . . .	2,891,382,594.87	52,770,098.92	10,028,862.19	2,934,123,831.60
Provision for impairment . . . . .				
Comed B.V. . . . .	18,585,245.77			18,585,245.77
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	35,889,505.24			35,889,505.24
Hainan MSD Pharmaceutical Co., Ltd. . .	10,028,862.19		10,028,862.19	
Beijing Star GK Medical Device Co., Ltd. . . . .	60,186,381.16			60,186,381.16
Lepu Medical Electronics Technology Co., Ltd. . . . .	47,855,359.94			47,855,359.94
Sub-total . . . . .	172,545,354.30		10,028,862.19	162,516,492.11
Carrying value . . . . .	2,718,837,240.57	52,770,098.92		2,771,607,339.49

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee Companies or matters forming goodwill	31/12/2020	Increase during the year	Decrease during the year	31/12/2021
		Business combinations	Disposal	
Original carrying amount				
Shanghai Shape Memory Alloy Material Co., Ltd. . . . .	48,281,830.04			48,281,830.04
Lepu Medical Equipment (Beijing) Co., Ltd. . . . .	9,342,820.07			9,342,820.07
Beijing Star GK Medical Device Co., Ltd. . . . .	121,871,085.31			121,871,085.31
Comed B.V. . . . .	18,585,245.77			18,585,245.77
Lepu Medical Electronics Technology Co., Ltd. . . . .	47,855,359.94			47,855,359.94
Lepu Pharmaceutical Co., Ltd. . . . .	310,645,774.09			310,645,774.09
Beijing Haihetian Technology Development Co., Ltd. . . . .	84,686,478.35			84,686,478.35
Beijing JWJ Science & Technology Development Co., Ltd. . . . .	20,119,884.31			20,119,884.31
Beijing Lejian Medical Investment Co., Ltd. . . . .	58,498,557.73			58,498,557.73
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	374,821,392.22			374,821,392.22
Yantai Addcare Bio-Tech Limited Company . . . . .	161,437,254.14			161,437,254.14
Ningbo Bingkun Medical Technology Co., Ltd. . . . .	532,643,436.89			532,643,436.89
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	102,648,567.78			102,648,567.78
Lepu Hengjiuyuan Pharmaceutical Co., Ltd. . . . .	81,138,405.26			81,138,405.26
Lepu Pharmaceutical Technology Co., Ltd. . . . .	39,517,205.84			39,517,205.84
Anhui High Tech Cardiovascular Hospital Management Co., Ltd. . . . .	46,445,203.02			46,445,203.02
Lepu (Beijing) Diagnostics Co., Ltd. . . . .	63,095,761.52			63,095,761.52
Beijing Weikangtongda Medical Technology Co., Ltd. . . . .	6,222,591.99			6,222,591.99
Shenzhen Purwell Medical Technology Co., Ltd. . . . .	5,630,100.00			5,630,100.00
Shenzhen Carewell Electronics Co., Ltd. . . . .	38,074,178.51			38,074,178.51
Shenzhen Creative Industry Co., Ltd. . . . .	44,440,139.86			44,440,139.86
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	258,946,517.73			258,946,517.73
Shanghai Lepu CloudMed Co., Ltd (Used name: Shanghai Yocaly Health Management Co., Ltd.) . . . . .	339,697,339.55			339,697,339.55
Shenzhen Viatom Technology Co., Ltd. . . . .	66,708,602.76			66,708,602.76
Shaanxi Xingtai Biotechnology Co., Ltd. . . . .	43,619,177.73			43,619,177.73
IPE Biotechnology Co., Ltd. . . . .	2,778,719.69			2,778,719.69
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd) . . . . .	6,372,201.50			6,372,201.50

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Investee Companies or matters forming goodwill	31/12/2020	Increase during the year	Decrease during the year	31/12/2021
		Business combinations	Disposal	
Aonuo (Qingdao) Pharmaceutical Co., Ltd. . . . .		85,693,914.06		85,693,914.06
Suzhou Bonsmile Medical Technology Co., Ltd. . . . .		122,553,625.20		122,553,625.20
Tianjin Jiumijiu Optometry Technology Co., Ltd. . . . .		153,974,707.22		153,974,707.22
Beijing Huaco Healthcare Technologies Co., Ltd. . . . .		139,648,752.70		139,648,752.70
Sub-total. . . . .	2,934,123,831.60	501,870,999.18		3,435,994,830.78
Provision for impairment. . . . .				
Comed B.V. . . . .	18,585,245.77	18,585,245.77		
Beijing Yongzheng Pharmaceutical Co., Ltd. . . . .	35,889,505.24			35,889,505.24
Beijing Star GK Medical Device Co., Ltd. . . . .	60,186,381.16			60,186,381.16
Lepu Medical Electronics Technology Co., Ltd. . . . .	47,855,359.94			47,855,359.94
Sub-total. . . . .	162,516,492.11			162,516,492.11
Carrying value . . . . .	2,771,607,339.49	501,870,999.18		3,273,478,338.67

*Note:* The ending balance of the Company's goodwill accounts for 15.81% of the total assets in the consolidated financial statements of the Company.

- 1) In December 2021, the Company acquired 70.00% of equity of Jiumijiu Optometry through capital increase at RMB300,000,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Jiumijiu Optometry's identifiable assets and liabilities. The Company recognized goodwill of RMB153,974,707.22 from acquiring Jiumijiu Optometry.
- 2) In October 2021, the Company acquired 87.50% of the equity of Huaco Healthcare through capital increase at RMB226,223,228.00. The goodwill is measured as the excess of the cost of the business combination (RMB296,936,884.64) over the net fair value of Huaco Healthcare's identifiable assets and liabilities. The Company recognized goodwill of RMB139,648,752.70 from acquiring Huaco Healthcare. See the note "VIII. Changes of Consolidation Scope" for details.
- 3) In August 2021, the Company acquired 73.43% of the equity of Suzhou Bonsmile through capital increase at RMB254,634,348.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Suzhou Bonsmile's identifiable assets and liabilities. The Company recognized goodwill of RMB122,553,625.20 from acquiring Suzhou Bonsmile.
- 4) In July 2021, the Company acquired 100.00% of the equity of Qingdao Aonuo at RMB70,000,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Qingdao Aonuo's identifiable assets and liabilities. The Company recognized goodwill of RMB85,693,914.06 from acquiring Qingdao Aonuo.

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- 5) In August 2020, the Company acquired 100% of the equity of Shaanxi Xingtai at RMB36,774,800.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Shaanxi Xingtai's identifiable assets and liabilities. The Company recognized goodwill of RMB43,619,177.73 from acquiring Shaanxi Xingtai.
- 6) In July 2020, the Company acquired 100% of equity of Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd) at RMB1,750,000.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of Lepu Youkang (Hainan) Health Industry Co., Ltd.'s identifiable assets and liabilities. The Company recognized goodwill of RMB6,372,201.50 from acquiring Lepu Youkang (Hainan) Health Industry Co., Ltd.
- 7) In April 2020, the Company acquired 57.00% of the equity of IPE Biotechnology at RMB161,526,600.00. The goodwill is measured as the excess of the cost of the business combination over the net fair value of IPE Biotechnology's identifiable assets and liabilities. The Company recognized goodwill of RMB2,778,719.79 from acquiring IPE Biotechnology.
- 8) At the end of 2019, the Company conducts systematic impairment tests on the goodwill and related assets from all investments in accordance with the relevant requirements of the Accounting Regulatory Risk Alert No. 8—Goodwill Impairment issued by the CSRC and the Accounting Standards for Enterprises, and employs an independent professional evaluation agency to evaluate specific companies. The new goodwill impairment provision in the year of 2019 is: RMB47.855,000 for the acquisition of Lepu Medical Electronic Instruments Co., Ltd., with the full impairment provision; RMB121,871,100 for the acquisition of Beijing Star GK Medical Device Co., Ltd., and the impairment provision is RMB60,186,400.
- 9) In the impairment test of goodwill-relating relevant asset group or an asset group portfolio, when there are indications of impairment of goodwill-relating asset group or an asset group portfolio, first conduct the impairment test of asset group or an asset group portfolio, excluding any goodwill, calculate the recoverable amount, and compare it with the relevant carrying amount. If the carrying amount of the asset group or the portfolio exceeds the recoverable amount of the asset group or the portfolio, the Company shall recognize the impairment loss. Then conduct the impairment test of the asset group or the portfolio to which goodwill has been allocated, compare the carrying amount, including the goodwill with its recoverable amount. If the carrying amount of the unit exceeds the recoverable amount of the asset group or the portfolio, the Company shall recognize the impairment loss. Once the above impairment losses of assets are recognized, they will not be recovered during the later accounting period.

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- 10) Composition of asset group or asset group portfolio: for the carrying amount of goodwill from business combination, it is allocated to the relevant asset group in a reasonable basis from the date of acquisition; if it is difficult to allocate to the relevant asset group, allocate it to the relevant asset group portfolio. When the carrying amount of goodwill is apportioned to the relevant asset group or asset group portfolio, it shall be apportioned according to the proportion of the fair value of each asset group or asset group portfolio to the total fair value of the relevant asset group or asset group portfolio. If the fair value is difficult to measure reliably, it shall be apportioned according to the proportion of the carrying amount of each asset group or asset group portfolio to the total carrying amount of the relevant asset group or asset group portfolio.
- 11) Expected value of future cash flows of the asset group (recoverable amount): The recoverable amount is estimated using the “present value of expected future net cash flow” model. The weighted average cost of capital before tax (WACC) is used as the discount rate of the enterprise free cash flow by discounting the present value of future cash flow of the asset group allocated.
- 12) Determining and measuring recoverable amount
  - (1) Important assumptions and basis
    - ① assumes that the enterprise continues to operate according to the actual situation of the assets on the base date of appraisal.
    - ② assumes that the company will have even cash outflow and cash inflow after the base date and cash outflow.
    - ③ assumes that on the basis of the existing management mode and management level, the company's business scope and mode are consistent with the current direction.
    - ④ no major changes occur to the in relevant interest rates, exchange rates, tax benchmarks and tax rates, and policy collection fees.
  - (2) Key parameters: The cash flow projections used for calculation is based on the five-year period financial budgets (or profit forecasts) approved by management, and pre-tax discount tax with a range of 11.84% to 15.73%. The detailed forecast period for the cash flow projections of the asset group is 5 years, and the cash flow remains stable in the sixth and subsequent years. The gross margin and sales are used as the key parameters in determining the cash flow projections of the asset group to which goodwill is allocated. The management determines that the budget gross margin and sales are based on the gross margin and sales realized before the budget period, and the management's expectations of the development of the industry and the expected operating situation in the future years.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

- (3) Discount rate (weighted average cost of capital WACC) (before tax) confirmation basis:

The discount rate R was determined by using the weighted average cost of capital model WACC (before tax)

$$R = K_e * [E / (E + D)] + K_d * (1 - T) * [D / (E + D)]$$

*Notes:*

T: income tax rate

K<sub>d</sub>: Debt cost (interest rate for loans over five years)

K<sub>e</sub>: Equity capital cost, the equity capital cost is determined by the Capital Asset Pricing Model (CAPM); the calculation formula is as follows:  $K_e = R_f + ERP * \beta_1 + R_c$

*Notes:*

R<sub>f</sub>: risk-free return rate (risk-free yield rate over 10 years)

ERP: Market risk premium

β<sub>1</sub>: Financial leverage risk factor

R<sub>c</sub>: Enterprise-specific risk value

### (22) Long-term deferred expenses

Item	2018.12.31	Additions during the period	Amortization for the period	Other decreases	2019.12.31
Renovation costs . . . .	78,581,975.40	61,315,806.43	23,080,731.34		116,817,050.49
Financing consulting fee . . . . .	19,377,106.83		4,166,145.40		15,210,961.43
Mould. . . . .	15,045,565.05	8,444,287.62	5,076,587.70		18,413,264.97
Others . . . . .	11,030,091.59	19,890,682.07	8,249,013.78		22,671,759.88
Total . . . . .	124,034,738.87	89,650,776.12	40,572,478.22		173,113,036.77

Item	2019.12.31	Additions during the period	Amortization for the period	Other decreases	2020.12.31
Renovation costs . . . .	116,817,050.49	21,074,712.55	29,050,142.08		108,841,620.96
Financing consulting fee . . . . .	15,210,961.43	10,556,552.54	5,715,017.63		20,052,496.34
Mould. . . . .	18,413,264.97	6,921,064.99	6,523,276.07		18,811,053.89
Others . . . . .	22,671,759.88	11,412,711.71	13,631,001.14		20,453,470.45
Total . . . . .	173,113,036.77	49,965,041.79	54,919,436.92		168,158,641.64

Item	2020.12.31	Additions during the period	Amortization for the period	Other decreases	2021.12.31
Renovation costs . . . .	108,841,620.96	37,664,521.99	30,479,035.60		116,027,107.35
Financing consulting fee . . . . .	20,052,496.34	2,971,698.11	9,976,510.33		13,047,684.12
Mould. . . . .	18,811,053.89	15,158,518.61	9,810,721.75		24,158,850.75
Others . . . . .	20,453,470.45	46,656,579.79	22,565,054.76		44,544,995.48
Total . . . . .	168,158,641.64	102,451,318.50	72,831,322.44		197,778,637.70

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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

### *1) Deferred income tax assets not offset*

Item	2021.12.31		2020.12.31		2019.12.31	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets . . . . .	515,845,522.52	86,890,227.18	603,729,331.55	104,991,003.50	603,640,544.75	105,417,374.12
Unrealized financing income. . . . .	1,499,310.50	224,896.58	2,744,134.37	434,338.09	3,184,241.95	539,960.24
Unrealized Internal Income . . . . .	109,480,367.38	16,654,290.41	90,482,216.67	17,252,682.52	58,003,426.52	10,927,862.57
Deductible tax loss . .	68,911,067.78	14,348,597.59	94,930,059.14	17,016,089.71	75,555,089.30	16,638,676.73
Deferred income. . .	52,929,454.01	7,939,418.10	58,332,687.41	8,749,903.11	44,582,752.18	6,687,412.83
Refundable payable . .			128,000,000.00	19,200,000.00		
Gains or losses arising from the equity held prior to the purchase date are re-measured at fair value. . . . .	17,741,733.33	2,661,260.00	17,741,733.33	2,661,260.00		
Others . . . . .	56,881,382.51	8,836,165.32	64,380,718.91	9,822,742.00	27,721,707.51	4,158,256.13
Total . . . . .	823,288,838.03	137,554,855.18	1,060,340,881.38	180,128,018.93	812,687,762.21	144,369,542.62

### *2) Deferred income tax liabilities not offset*

Item	2021.12.31		2020.12.31		2019.12.31	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Appraisal and value appreciation of consolidated assets of enterprises not under common control. . . . .	888,069,202.29	162,773,807.56	849,690,064.00	154,744,443.76	697,685,659.95	139,013,944.09
Changes in the fair value of financial assets . . . . .	245,442,241.79	49,083,076.23	766,519,143.16	120,178,059.20	260,693,110.00	39,103,966.50
Gains or losses arising from the equity held prior to the purchase date re-measured at fair value . . . . .	213,728,382.80	32,059,257.42	169,698,003.90	25,454,700.59	169,698,003.90	25,454,700.59
Others . . . . .	144,622,403.94	20,854,560.54	167,325,258.11	23,833,879.97	23,519,833.01	3,527,974.95
Total . . . . .	1,491,862,230.82	264,770,701.75	1,953,232,469.17	324,211,083.52	1,151,596,606.86	207,100,586.13



**(24) Other non-current assets**

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# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (25) Short-term borrowings

### Short-term borrowings by category

Item	2021.12.31	2020.12.31	2019.12.31
Pledge loans . . . . .	55,058,819.45		
Mortgage borrowings . . . . .		59,389,241.76	98,000,000.00
Guaranteed borrowings . . . . .	175,236,694.43	405,626,163.23	687,838,209.73
Credit loans . . . . .	353,624,241.42	1,436,878,167.83	678,200,000.00
Total . . . . .	583,919,755.30	1,901,893,572.82	1,464,038,209.73

#### Notes:

- 1) On 31 December 2021, the Company's short-term borrowings include RMB2,327,799.22 of interest payable on short-term borrowings. On 31 December 2020, the Company's short-term borrowings include RMB4,346,085.75 of interest payable on short-term borrowings.
- 2) Short-term borrowings include the corresponding amount of discounted and outstanding notes receivable that have not been derecognized totaling RMB18,000,000.00.
- 3) The pledge of the pledge loans is a fixed deposit of RMB59,282,351.55 abroad.
- 4) For details of the mortgage of short-term borrowings, please refer to "V.(16)".

## (26) Financial liabilities held-for-trading

Item	2019.12.31	Increase	Decrease	2020.12.31
Financial liabilities held-for-trading . .		329,740.12		329,740.12
Including: Trading bonds issued . . . .				
Others . . . . .		329,740.12		329,740.12
Total . . . . .		329,740.12		329,740.12

Item	2020.12.31	Increase	Decrease	2021.12.31
Financial liabilities held-for-trading . .	329,740.12		329,740.12	
Including: Trading bonds issued . . . .				
Others . . . . .	329,740.12		329,740.12	
Total . . . . .	329,740.12		329,740.12	

## (27) Notes payable

Types	2021.12.31	2020.12.31	2019.12.31
Bank acceptance bills . . . . .	228,532,548.74	66,398,584.13	84,558,954.73
Total . . . . .	228,532,548.74	66,398,584.13	84,558,954.73

## (28) Accounts payable

### Breakdown of accounts payable

Item	2021.12.31	2020.12.31	2019.12.31
Within one year (inclusive) . . . . .	1,055,871,678.51	705,984,246.74	646,061,198.95
1-2 years . . . . .	47,695,551.72	30,574,990.79	80,372,449.79
2-3 years . . . . .	20,173,469.65	12,432,856.73	3,373,459.34
Over 3 years . . . . .	10,889,103.44	5,650,268.55	7,899,251.42
Total . . . . .	1,134,629,803.32	754,642,362.81	737,706,359.50

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## *(29) Advance from customers*

### *Breakdown of advance from customers*

Item	2021.12.31	2020.12.31	2019.12.31
Within one year (inclusive) . . . . .			126,969,945.25
1-2 years . . . . .			20,024,125.80
2-3 years . . . . .			6,329,729.41
Over 3 years . . . . .			10,452,669.79
Total . . . . .			163,776,470.25

## *(30) Contract liabilities*

### *Breakdown of contract liabilities*

Item	2021.12.31	2020.12.31
Within one year (inclusive) . . . . .	318,356,225.65	247,045,305.91
1-2 years . . . . .	21,021,288.52	9,025,919.19
2-3 years . . . . .	4,528,141.98	5,567,251.40
Over 3 years . . . . .	10,055,870.79	7,574,015.61
Total . . . . .	353,961,526.94	269,212,492.11

## *(31) Employee benefits payable*

### *1) Breakdown of employee benefits payable*

Item	2018.12.31	Increase	Decrease	2019.12.31
Short-term remuneration . .	83,015,545.54	1,104,928,105.76	1,086,093,741.71	101,849,909.59
Post-employment benefits — defined contribution plans . . . . .	1,178,769.63	119,176,827.65	119,098,859.71	1,256,737.57
Termination benefits . . . .		2,184,045.39	2,184,045.39	
Total . . . . .	84,194,315.17	1,226,288,978.80	1,207,376,646.81	103,106,647.16

Item	2019.12.31	Increase	Decrease	2020.12.31
Short-term remuneration . .	101,849,909.59	1,384,462,197.67	1,326,799,633.68	159,512,473.58
Post-employment benefits — defined contribution plans . . . . .	1,256,737.57	33,720,640.30	34,165,815.83	811,562.04
Termination benefits . . . .		4,508,626.19	4,508,626.19	
Total . . . . .	103,106,647.16	1,422,691,464.16	1,365,474,075.70	160,324,035.62

Item	2020.12.31	Increase	Decrease	2021.12.31
Short-term remuneration . .	159,512,473.58	1,784,454,035.61	1,745,897,001.97	198,069,507.22
Post-employment benefits — defined contribution plans . . . . .	811,562.04	139,730,146.61	139,063,276.42	1,478,432.23
Total . . . . .	160,324,035.62	1,924,184,182.22	1,884,960,278.39	199,547,939.45

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2) Breakdown of short-term employee benefits

Item	2018.12.31	Increase	Decrease	2019.12.31
(1) Salaries, bonuses, allowances and subsidies . . . . .	79,949,868.15	931,014,493.59	912,981,137.26	97,983,224.48
(2) Employee benefits . . .		40,855,478.01	40,855,478.01	
(3) Social insurance contribution . . . . .	707,578.05	58,690,106.17	58,617,638.86	780,045.36
Including: Medical insurance contribution . . . . .	576,225.02	51,690,644.01	51,592,720.48	674,148.55
Work-related injury insurance contribution . . . . .	98,195.90	3,027,852.02	3,068,690.09	57,357.83
Maternity insurance contribution . . . . .	33,157.13	3,971,610.14	3,956,228.29	48,538.98
(4) Housing Provident Fund. . . . .	362,972.68	59,874,451.74	59,792,139.12	445,285.30
(5) Labour union & employee education funds . . . . .	1,995,126.66	14,493,576.25	13,847,348.46	2,641,354.45
Total. . . . .	83,015,545.54	1,104,928,105.76	1,086,093,741.71	101,849,909.59

Item	2019.12.31	Increase	Decrease	2020.12.31
(1) Salaries, bonuses, allowances and subsidies . . . . .	97,983,224.48	1,194,456,533.66	1,138,083,978.33	154,355,779.81
(2) Employee benefits . . .		54,601,636.40	54,601,636.40	
(3) Social insurance contribution . . . . .	780,045.36	54,670,212.13	54,141,093.56	1,309,163.93
Including: Medical insurance contribution . . . . .	674,148.55	52,178,494.33	51,554,208.74	1,298,434.14
Work-related injury insurance contribution . . . . .	57,357.83	1,432,827.28	1,482,124.43	8,060.68
Maternity insurance contribution . . . . .	48,538.98	1,058,890.52	1,104,760.39	2,669.11
(4) Housing Provident Fund. . . . .	445,285.30	60,775,090.72	60,401,747.16	818,628.86
(5) Labour union & employee education funds . . . . .	2,641,354.45	19,958,724.76	19,571,178.23	3,028,900.98
Total. . . . .	101,849,909.59	1,384,462,197.67	1,326,799,633.68	159,512,473.58

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	2020.12.31	Increase	Decrease	2021.12.31
(1) Salaries, bonuses, allowances and subsidies . . . . .	154,355,779.81	1,532,106,330.38	1,492,916,747.89	193,545,362.30
(2) Employee benefits . . .		72,394,275.42	72,394,275.42	
(3) Social insurance contribution . . . . .	1,309,163.93	83,751,321.05	84,171,489.00	888,995.98
Including: Medical insurance contribution . . . . .	1,298,434.14	78,317,956.69	78,818,218.79	798,172.04
Work-related injury insurance contribution . . . . .	8,060.68	4,460,663.19	4,381,131.14	87,592.73
Maternity insurance contribution . . . . .	2,669.11	972,701.17	972,139.07	3,231.21
(4) Housing Provident Fund . . . . .	818,628.86	76,972,031.30	77,186,793.08	603,867.08
(5) Labour union & employee education funds . . . . .	3,028,900.98	19,230,077.46	19,227,696.58	3,031,281.86
Total . . . . .	159,512,473.58	1,784,454,035.61	1,745,897,001.97	198,069,507.22

### 3) Breakdown of defined contribution plans

Item	2018.12.31	Increase	Decrease	2019.12.31
Basic pension insurance . .	1,134,334.08	115,252,731.85	115,179,538.25	1,207,527.68
Unemployment insurance contribution . . . . .	44,435.55	3,924,095.80	3,919,321.46	49,209.89
Total . . . . .	1,178,769.63	119,176,827.65	119,098,859.71	1,256,737.57

Item	2019.12.31	Increase	Decrease	2020.12.31
Basic pension insurance . .	1,207,527.68	32,011,192.42	32,437,678.51	781,041.59
Unemployment insurance contribution . . . . .	49,209.89	1,709,447.88	1,728,137.32	30,520.45
Total . . . . .	1,256,737.57	33,720,640.30	34,165,815.83	811,562.04

Item	2020.12.31	Increase	Decrease	2021.12.31
Basic pension insurance . .	781,041.59	134,520,754.68	133,877,224.95	1,424,571.32
Unemployment insurance contribution . . . . .	30,520.45	5,209,391.93	5,186,051.47	53,860.91
Total . . . . .	811,562.04	139,730,146.61	139,063,276.42	1,478,432.23

### (32) Taxes payable

Item	2021.12.31	2020.12.31	2019.12.31
Value-added tax . . . . .	72,766,315.73	54,248,499.84	53,248,541.23
Enterprise income tax . . . . .	119,292,005.74	51,343,491.12	58,595,748.12
Individual income tax . . . . .	4,785,780.79	3,704,905.16	2,926,062.35
City maintenance and construction tax . . . . .	4,595,179.51	3,433,855.49	4,389,117.04
Educational surcharge . . . . .	3,478,057.97	2,736,887.02	3,760,963.53
Others . . . . .	5,844,315.27	6,004,439.25	5,043,699.61
Total . . . . .	210,761,655.01	121,472,077.88	127,964,131.88

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### (33) Other payables

Item	2021.12.31	2020.12.31	2019.12.31
Interest payable. . . . .			18,578,241.34
Dividends payable. . . . .	4,293,781.40	2,355,943.51	2,796,800.00
Other payable . . . . .	323,108,965.23	281,729,205.01	245,876,590.99
Total . . . . .	327,402,746.63	284,085,148.52	267,251,632.33

#### 1. Interest payable

Item	2021.12.31	2020.12.31	2019.12.31
Interest on long-term borrowings with interest paid by installments and principal repaid at maturity. .			9,303,032.20
Corporate bond interest . . . . .			7,311,666.67
Interest payable for short-term borrowings . . . . .			1,963,542.47
Total . . . . .			18,578,241.34

#### 2. Dividends payable

Item	2021.12.31	2020.12.31	2019.12.31
Dividends for ordinary shares . . . .	1,626,800.00	1,626,800.00	1,626,800.00
Dividends payable by subsidiaries to minority shareholders. . . . .	2,666,981.40	729,143.51	1,170,000.00
Total . . . . .	4,293,781.40	2,355,943.51	2,796,800.00

#### 3. Other payable

##### (1) Other payable by nature

Item	2021.12.31	2020.12.31	2019.12.31
Deposit. . . . .	110,820,981.80	120,030,080.60	148,048,363.71
Current payments . . . . .	115,631,032.13	95,400,923.22	49,657,792.77
Equity payments . . . . .	60,000,000.00	48,397,853.79	21,015,487.50
Land and project funds . . . . .	24,829,153.87	3,781,769.36	6,684,895.89
Others . . . . .	11,827,797.43	14,118,578.04	20,470,051.12
Total . . . . .	323,108,965.23	281,729,205.01	245,876,590.99

### (34) Non-current liabilities due within one year

Item	2021.12.31	2020.12.31	2019.12.31
Long-term borrowings due within one year. . . . .	184,250,000.00	1,091,750,000.00	754,655,000.00
Bonds payable due within one year . . . . .			598,392,119.87
Long-term payable due within one year . . . . .		10,084,883.59	6,054,880.44
Lease liabilities due within one year . . . . .	65,489,598.07		
Total . . . . .	249,739,598.07	1,101,834,883.59	1,359,102,000.31

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### *(35) Other current liabilities*

Item	2021.12.31	2020.12.31	2019.12.31
Output value-added tax payable . . .	24,039,717.73	22,213,170.60	
Refunds payable . . . . .		128,000,000.00	
Endorsed outstanding notes . . . . .	19,793,600.00	1,500,000.00	
Short-term bonds payable . . . . .			802,998,904.11
Total . . . . .	43,833,317.73	151,713,170.60	802,998,904.11

1. In November 2019, the company issued short-term financing bonds of RMB800,000,000.00. After deducting the underwriting fee of RMB1,200,000.00, the actual net amount issued was RMB798,800,000.00, which had been repaid by 31 December 2020.
2. In October 2020, the Joint Procurement issued the Document of State-organized Centralized Procurement of Coronary Stents, which since then started national implementation of the volume-based procurement of high-value consumables. On 5 November, proposed bid results of national volume-based procurement of high-value medical consumables were announced. In the centralized procurement, the bid product of the Company was cobalt-based alloy rapamycin elution stent system ("cobalt base stents"), the bidding price was RMB645/strip and entered into 143,907 the contracts of centralized procurement.

In light of the implementation of the above national centralized procurement policy, through friendly negotiation between the Company and the distributor, the Company re-signed supplementary agreements for products that have been sold but not implanted, and the Company arranged product returns for distributors. The Company made provision of RMB128 million under other current liabilities on exchange and return of stents due to significant changes of national policy.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## Increase and decrease of short-term bonds payable:

2019

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2018.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	2019.12.31
18 Leap SCP002 . . .	100.00	2018/7/19	270 days	600,000,000.00	615,971,730.16		10,240,438.37	373,584.91	626,585,753.44	
19 Leap SCP001 . . .	100.00	2019/3/29	270 days	600,000,000.00		598,650,000.00	21,334,426.23	1,350,000.00	621,334,426.23	
19 Leap SCP002 . . .	100.00	2019/11/21	180 days	800,000,000.00		798,800,000.00	3,998,904.11	200,000.00		802,998,904.11
Total . . . . .				2,000,000,000.00	615,971,730.16	1,397,450,000.00	35,573,768.71	1,923,584.91	1,247,920,179.67	802,998,904.11

2020

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2019.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	2020.12.31
19 Leap SCP002 . . .	100.00	2019/11/21	180 days	800,000,000.00	802,998,904.11		13,509,292.61	1,000,000.00	817,508,196.72	
Total . . . . .				800,000,000.00	802,998,904.11		13,509,292.61	1,000,000.00	817,508,196.72	

*Note 1:* The Company issued short-term financing bond of RMB600,000,000.00 in July 2018. Net actual issuance was RMB598,650,000.00 after deducting underwriting fees of RMB1,350,000.00. The bond was repaid as at 31 December 2019.

*Note 2:* The Company issued short-term financing bond of RMB600,000,000.00 in March 2019. Net actual issuance was RMB598,650,000.00 after deducting underwriting fees of RMB1,350,000.00. The bond was repaid as at 31 December 2019.

*Note 3:* The Company issued short-term financing bond of RMB800,000,000.00 in November 2019. Net actual issuance was RMB798,800,000.00 after deducting underwriting fees of RMB1,200,000.00. The bond was repaid as at 31 December 2020.



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (36) Long-term borrowings

Long-term borrowings by category:

Item	2021.12.31	2020.12.31	2019.12.31
Pledge loans . . . . .	245,366,819.44	459,190,211.97	877,980,000.00
Mortgage borrowings . . . . .	440,767,666.67	240,293,574.61	170,000,000.00
Credit loans . . . . .	523,370,998.64	415,732,487.25	1,410,000,000.00
Total . . . . .	1,209,505,484.75	1,115,216,273.83	2,457,980,000.00

Notes:

- 1) On 24 January 2019, the Company signed a loan contract of RMB250 million with Ping An Bank Co., Ltd. Beijing Branch. According to the contract, the loan interest rate is 20% above the benchmark interest rate, and the pledge period is from 29 January 2019 to 29 January 2024. The pledge is 35% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by Shanghai Shape Memory Alloy Material Co., Ltd., a subsidiary of the company. As of 31 December 2019, the balance of the loan was RMB218.98 million, among which the long-term loan of RMB50 million, which is due within one year, has been reclassified to the non-current liability due within one year.
- 2) On 27 December 2018, the Company entered into a borrowing contract of RMB760 million with Beijing Branch of China Development Bank, with a borrowing rate of benchmark interest rate, a pledge period from 27 December 2018 to 26 December 2027, and a pledge of the land parcel No. T501-0082 and buildings thereon of Lepu International, a subsidiary of the Company. Meanwhile, 7 buildings of the Company at Chaoqian Road No. 37, Changping District, Beijing, were also pledged for a period from 27 December 2018 to 26 December 2027. As of 31 December 2021, the balance of such borrowing was RMB510 million, of which long-term borrowings due within one year were RMB70 million and were reclassified to non-current liabilities due within one year.
- 3) On 21 June 2018, the Company entered into a borrowing contract of RMB520 million with Beijing Changping Branch of Industrial and Commercial Bank of China Limited, with a borrowing rate of benchmark interest rate, a pledge period from 21 June 2018 to 31 December 2025, and a pledge of the Company's 45% equity interest in Zhejiang Lepu Pharmaceutical. Meanwhile, a property of the Company was also pledged for a period from 14 June 2018 to 31 December 2025. As of 31 December 2021, the balance of such borrowing was RMB245 million.
- 4) On 31 October 2017, the Company signed a mortgage loan contract of RMB150 million with China Development Bank. According to the contract, the loan interest rate is 5% above the benchmark interest rate. The mortgage period is from 14 December 2017 to 13 December 2020. The mortgaged property is Building 7 No. 37 Chaoqian Road, Changping District, Beijing. As of 31 December 2019, the balance of this loan was RMB140 million, among which the long-term loan of RMB140 million due within one year has been reclassified to non-current liabilities due within one year.
- 5) On 9 May 2016, the Company signed a loan contract of RMB375 million with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. The loan interest rate is the benchmark interest rate, and the pledge period is from 16 May 2016 to 30 June 2024. The pledge is Ningbo Bingkun 63.05% equity of held by the Company. Meanwhile, a property of the Company shall be mortgaged from 11 May 2016 to 10 December 2023. As of 31 December 2020, the loan balance is RMB165 million. Among them, the long-term borrowings of RMB63.75 million that will mature within one year have been reclassified to non-current liabilities that will mature within one year.
- 6) On 28 July 2015, the Company signed a pledge loan contract of RMB310 million with Beijing Changping Sub-branch of Industrial and Commercial Bank of China Co., Ltd. It is agreed in the contract that the loan interest rate is 10% lower than the benchmark interest rate, and the pledge period is from 1 August 2015 to 31 December 2022. Pledge is 51% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company. As of 31 December 2020, the loan balance is RMB124 million. Among them, RMB62 million of long-term borrowings due within one year have been reclassified to non-current liabilities due within one year.
- 7) As of 31 December 2021, long-term borrowings included interest on long-term borrowings of RMB2,255,484.75. As of 31 December 2020, the Company's long-term borrowings include long-term borrowing interest of RMB2,966,273.83.

## (37) Bonds payable

### 1. Breakdown of bonds payable

Item	2021.12.31	2020.12.31	2019.12.31
Medium-term notes . . . . .	1,222,260,046.39	1,218,633,729.61	
Convertible bonds . . . . .	1,451,136,827.90		
Total . . . . .	2,673,396,874.29	1,218,633,729.61	

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## 2. Increase or decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Name of bond	Book value	Date of issuance	Bond term	Amount issued	2018.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Repayment in current period	Reclassified as non-current liabilities due within one year	2019.12.31
First batch of the medium-term notes											
2017 . . . . .	100.00	2017/10/11	3 years	600,000,000.00	596,592,119.87			1,800,000.00		598,392,119.87	
Total . . . . .				600,000,000.00	596,592,119.87			1,800,000.00		598,392,119.87	
Name of bond	Book value	Date of issuance	Bond term	Amount issued	2019.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Capitalisation of debt in current period	Redemption in current period	2020.12.31
Convertible corporate bonds . . . . .											
First batch of the medium-term notes											
2020 . . . . .	100.00	2020/1/3	5 years	750,000,000.00		631,417,541.86	1,430,136.99	16,977,623.20	637,883,255.19	11,942,046.86	
Second batch of the medium-term notes											
2020 . . . . .	100.00	2020/4/13	3 years	600,000,000.00		594,600,000.00	17,941,643.83	1,579,245.27			614,120,889.10
2020 . . . . .	100.00	2020/9/3	3 years	600,000,000.00		594,600,000.00	9,193,972.60	718,867.91			604,512,840.51
Total . . . . .				1,950,000,000.00		1,820,617,541.86	28,565,753.42	19,275,736.38	637,883,255.19	11,942,046.86	1,218,633,729.61

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Name of bond	Book value	Date of issuance	Bond term	Amount issued	2020.12.31	Issuance in current period	Interest accrued at par value	Amortization of premiums and discounts	Capitalisation of debt in current period	Redemption in current period	2021.12.31
First batch of the medium-term notes 2020 . . . . .	100.00	2020/4/9	3 years	600,000,000.00	614,120,889.10		24,900,000.00	1,698,113.16	24,900,000.00		615,819,002.26
Second batch of the medium-term notes 2020 . . . . .	100.00	2020/9/1	3 years	600,000,000.00	604,512,840.51		28,200,000.00	1,928,203.62	28,200,000.00		606,441,044.13
Convertible corporate bonds . . . . .	100.00	2021/3/30	5 years	1,638,000,000.00		1,407,331,781.94	3,675,402.71	40,290,244.93		160,601.68	1,451,136,827.90
Total . . . . .				2,838,000,000.00	1,218,633,729.61	1,407,331,781.94	56,775,402.71	43,916,561.71	53,100,000.00	160,601.68	2,673,396,874.29

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### Description:

- 1) As approved by the China Securities Regulatory Commission under license No. [2021] 741, the Company publicly issued 16,380,000 convertible corporate bonds with par value of RMB100 each on 30 March 2021, for a total issue amount of RMB1,638 million, with coupon rates of 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year and 1.8% in the fifth year.

The term of the convertible bonds under the issuance is five years from the date of issuance, i.e. from 30 March 2021 to 29 March 2026; the conversion period commences on the first trading day following the expiry of the six-month period after the date of the issuance of the convertible bonds, and end on the maturity date of the Convertible Bonds, i.e. from 8 October 2021 to 29 March 2026. The initial conversion price of the convertible bonds is RMB29.73 per share. The conversion price shall be adjusted upon the issuance in case of certain events of the Company, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares or rights issue or distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the convertible bonds under the issuance). As approved at the 2020 annual general meeting, the Company carried out the profit distribution plan for 2020 and the conversion price of the convertible bonds was adjusted from RMB29.73 per share to RMB29.50 per share. The total amount of proceeds to be raised from the issuance of the convertible corporate bonds will be RMB1.638 billion. After deduction of issuance expenses, the fair value of financial liability component as at the issuance date of RMB1,407,331,781.94 will be included into bonds payable, and the fair value of equity instrument component of RMB214,790,321.83 will be included into other equity instruments. The convertible bonds under the issuance entered the conversion period from October 8, 2021. The total number of share converted was 6,193 in 2021.

- 2) As approved by the China Securities Regulatory Commission under license No. [2019] 2699, the Company publicly issued 7,500,000 convertible corporate bonds with par value of RMB100 each on January 3, 2020, for a total issue amount of RMB750 million, with coupon rates of 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year and 1.8% in the fifth year. The term of the convertible bonds under the issuance is five years from the date of issuance, i.e. from January 3, 2020 to January 2, 2025; the conversion period commences on the first trading day following the expiry of the six-month period after the date of the issuance of the convertible bonds, and end on the maturity date of the Convertible Bonds, i.e. from 9 July 2020 to January 2, 2025. The initial conversion price of the convertible bonds is RMB32.39 per share. The conversion price shall be adjusted upon the issuance in case of certain events of the Company, such as distribution of share dividends, conversion or increase of share capital, issuance of new shares or rights issue or distribution of cash dividends (excluding any increase in the share capital as a result of conversion of the convertible bonds under the issuance). As approved at the 2019 annual general meeting, the Company carried out the profit distribution plan for 2019 and the conversion price of the convertible bonds was adjusted from RMB32.39 per share to RMB32.19 per share. The total amount of proceeds to be raised from the issuance of the convertible corporate bonds will be RMB750 million. After deduction of issuance expenses, the fair value of financial liability component as at the issuance date of RMB631,417,541.86 will be included into bonds payable, and the fair value of equity instrument component of

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RMB108,190,948.71 will be included into other equity instruments. The Resolution on Early Redemption of All Issued Convertible Corporate Bonds was considered and approved at the eighth meeting of the fifth session of the Board of Directors and the seventh meeting of the fifth session of the Supervisory Committee held by the Company on 30 July 2020, and the Company was allowed to exercise the early redemption right of the Lepu Convertible Bonds and redeem all the Lepu Convertible Bonds registered after the close of business on the redemption registration date at the price of the par value of the bonds plus the accrued interest for the current period. After the conversion and redemption, the "Lepu Convertible Bonds" issued by the Company were delisted from Shenzhen Stock Exchange on 30 August 2020.

- 3) In April 2020, the Company issued the 2020 first tranche of medium-term notes at an issue price of RMB100.00 par value, with a total issue amount of RMB600 million, an interest rate of 4.15% and a term of 3 years.
- 4) In September 2020, the Company issued the 2020 second tranche of medium-term notes at an issue price of RMB100.00 par value, with a total issue amount of RMB600 million, an interest rate of 4.7% and a term of 3 years.

### (38) *Lease liabilities*

Item	2021.12.31
Lease payment amount . . . . .	210,631,946.11
Less: Unrecognized financing cost . . . . .	20,030,847.48
Less: Lease liabilities due within one year . . . . .	65,489,598.07
Total . . . . .	125,111,500.56

### (39) *Long-term payable*

Item	2021.12.31	2020.12.31	2019.12.31
Long-term payable . . . . .		3,663,119.05	10,320,465.41
Total . . . . .		3,663,119.05	10,320,465.41

#### *Long-term payable*

Item	2021.12.31	2020.12.31	2019.12.31
Deposits and tax of finance leasing business payable. . . . .		3,663,119.05	10,320,465.41
Total . . . . .		3,663,119.05	10,320,465.41

### (40) *Deferred income*

Item	2018.12.31	Increase	Decrease	2019.12.31	Cause of formation
Government grants . . . . .	131,856,950.38	11,773,484.96	9,101,163.62	134,529,271.72	
Transfer of distribution right of 75mg clopidogrel bisulfate tablets . . . . .	1,271,823.61		363,378.19	908,445.42	
Total . . . . .	133,128,773.99	11,773,484.96	9,464,541.81	135,437,717.14	

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Item	2019.12.31	Increase	Decrease	2020.12.31	Cause of formation
Government grants . . . .	134,529,271.72	19,008,546.36	7,729,458.54	145,808,359.54	
Transfer of distribution right of 75mg clopidogrel bisulfate tablets . . . . .	908,445.42		908,445.42		
Total . . . . .	135,437,717.14	19,008,546.36	8,637,903.96	145,808,359.54	

Item	2020.12.31	Increase	Decrease	2021.12.31	Cause of formation
Government grants . . . .	145,808,359.54	7,907,800.00	13,689,376.72	140,026,782.82	
Total . . . . .	145,808,359.54	7,907,800.00	13,689,376.72	140,026,782.82	

Projects with government grants:

Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
Support funds for enterprise development . . . . .	39,350,000.00	2,838,000.00		-426,860.04	41,761,139.96	Relating to assets
Special subsidies for heart pacemaker R&D and production base . . . . .	34,300,000.00				34,300,000.00	Relating to assets
Enterprise development funds . . . . .	10,251,724.20		207,454.79		10,044,269.41	Relating to assets
Novel fully degradable polymer scaffolds . . . . .	6,300,000.00	4,700,000.00	1,833,333.33		9,166,666.67	Relating to assets
Central government funds for infrastructure investment . .	8,188,999.97		431,000.04		7,757,999.93	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain . . . . .	4,500,000.00				4,500,000.00	Relating to assets
“Clinical research funding for catheter drug (paclitaxel) elation balloon catheter (coronary artery)” . . . . .	4,000,000.00				4,000,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project of Lepu pharmaceutical . . . . .	4,080,000.00		161,716.55		3,918,283.45	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform . . . . .	3,840,000.00				3,840,000.00	Relating to assets
Land subsidies . . . . .		1,985,484.96	20,639.14		1,964,845.82	Relating to assets

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Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center. . . . .	2,100,000.00		300,000.00		1,800,000.00	Relating to assets
Industrialization of aspartic insulin. . . . .		1,500,000.00			1,500,000.00	Relating to assets
Medical safety inspection and testing public service platform project funds . . .	1,483,333.33		99,999.97		1,383,333.36	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment. . . . .	2,066,666.67	733,700.61	1,533,700.65		1,266,666.63	Relating to assets
New generation of fully degradable polymer scaffolds . . . . .	1,000,000.00				1,000,000.00	Relating to assets
Research and development of implantable dual-chamber pacemakers . . . . .	1,485,000.00		540,000.00		945,000.00	Relating to assets
Special funds for project on development of nano-film single-rivet occluders. . . .	1,226,465.00		313,140.00		913,325.00	Relating to assets
Special funds of Baoji Municipal Government . . .	970,575.00		129,410.00		841,165.00	Relating to assets
Conformance evaluation of benzene sulfonic acid . . .	1,039,999.97		260,000.04		779,999.93	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises . . . . .	916,816.27		145,239.52		771,576.75	Relating to assets
Subsidies for insulin glargine industrialization. . . . .		750,000.00			750,000.00	Relating to assets
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface and traditional occluders . . . . .	931,666.62		260,000.04		671,666.58	Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface . . . . .	823,333.27		260,000.04		563,333.23	Relating to assets
Clean energy projects. . . . .	115,000.00		25,000.00		90,000.00	Relating to assets

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Item	2018.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2019.12.31	Relating to assets/revenue
Appropriation of funds for key science and technology R&D program of Jiangyin Finance Bureau . . . . .	3,250.08		3,250.08			Relating to assets
Boiler renovation project of Economic and Information Technology Commission . .	191,000.00		191,000.00			Relating to assets
Land requisition and demolition allowance . . .	2,593,120.00		2,593,120.00			Relating to assets
Technology support — left atrial appendage occluder system. . . . .	100,000.00		100,000.00			Relating to revenue
Total . . . . .	131,856,950.38	12,507,185.57	9,408,004.19	-426,860.04	134,529,271.72	

Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Support funds for enterprise development . . . . .	41,761,139.96			-853,720.08	40,907,419.88	Relating to assets
Special funds for heart pacemaker R&D and production base. . . . .	34,300,000.00				34,300,000.00	Relating to assets
Enterprise development funds . . . . .	10,044,269.41		207,454.79		9,836,814.62	Relating to assets
Novel fully degradable polymer scaffolds. . . . .	9,166,666.67	2,805,684.00	2,200,000.00		9,772,350.67	Relating to assets
Industrialization of aspartic insulin. . . . .	3,000,000.00	5,000,000.00			8,000,000.00	Relating to assets
Central government funds for infrastructure investment . . . . .	7,757,999.93		431,000.04		7,326,999.89	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain . . . . .	4,500,000.00				4,500,000.00	Relating to assets
Clinical research funding for paclitaxel-eluting balloon catheters. . . . .	4,000,000.00				4,000,000.00	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform . . . . .	3,840,000.00		24,481.32		3,815,518.68	Relating to assets
Renal artery ultrasound ablation system . . . . .		3,600,000.00			3,600,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project. . . . .	3,918,283.45		388,119.66		3,530,163.79	Relating to assets



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Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Esomeprazole sodium for injection production and construction project . . . .		2,600,000.00			2,600,000.00	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment. . . . .	1,266,666.63	2,000,000.00	911,111.18		2,355,555.45	Relating to assets
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center . . . . .	1,800,000.00		300,000.00		1,500,000.00	Relating to assets
New generation of fully degradable polymer scaffolds . . . . .	1,000,000.00	500,000.00			1,500,000.00	Relating to assets
Medical safety Inspection and Testing public service platform project funds . . . . .	1,383,333.36		99,999.96		1,283,333.40	Relating to assets
Cardiovascular system regeneration and repair key product development project. . . . .		1,259,514.12			1,259,514.12	Relating to revenue
Land subsidies . . . . .	1,214,845.82		49,533.93		1,165,311.89	Relating to assets
Special funds of Baoji Municipal Government . . .	841,165.00		129,410.00		711,755.00	Relating to assets
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials . . . . .		670,000.00	33,500.00		636,500.00	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises . . . . .	771,576.75		145,239.52		626,337.23	Relating to assets
Special funds for project on development of nano-film single-rivet occluders. . . .	913,325.00		313,140.00		600,185.00	Relating to assets
Conformance evaluation — Benzene sulfonic acid . . .	779,999.93		260,000.04		519,999.89	Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface and traditional sealing device. . . . .	671,666.58		260,000.04		411,666.54	Relating to assets

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Item	2019.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2020.12.31	Relating to assets/Relating to revenue
Research and development of implantable dual-chamber pacemakers . . . . .	945,000.00		540,000.00		405,000.00	Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement . . . . .		310,600.30			310,600.30	Relating to revenue
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface . . . . .	563,333.23		260,000.04		303,333.19	Relating to assets
Clean energy projects . . . . .	90,000.00		60,000.00		30,000.00	Relating to assets
Total . . . . .	134,529,271.72	18,745,798.42	6,612,990.52	-853,720.08	145,808,359.54	

Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Support funds for enterprise development . . . . .	40,907,419.88			-853,720.08	40,053,699.80	Relating to assets
Heart pacemaker R&D and production base . . . . .	34,300,000.00		280,000.00		34,020,000.00	Relating to assets
Enterprise development fund . . . . .	9,836,814.62		207,454.79		9,629,359.83	Relating to assets
Industrialization of aspartic insulin . . . . .	8,000,000.00				8,000,000.00	Relating to assets
Central government funds for infrastructure investment . . . . .	7,326,999.89		431,000.04		6,895,999.85	Relating to assets
Novel fully degradable polymer scaffolds . . . . .	9,772,350.67		3,086,005.48		6,686,345.19	Relating to assets
Incentive funds for investment projects in weak links of the industrial chain . . . . .	4,500,000.00				4,500,000.00	Relating to assets
Clinical research funding for paclitaxel-eluting balloon catheters . . . . .	4,000,000.00				4,000,000.00	Relating to assets
Lepu Pharmaceutical innovative drug R&D service platform . . . . .	3,815,518.68	430,000.00	425,044.32		3,820,474.36	Relating to assets
Renal artery ultrasound ablation system . . . . .	3,600,000.00				3,600,000.00	Relating to assets
Annual output of 3 billion tablets of solid preparation project . . . . .	3,530,163.79		388,119.65		3,142,044.14	Relating to assets

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Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Research and development of digestive ultrasonic electronic endoscopy system and core components . . . . .		2,720,000.00	20,000.00		2,700,000.00	Relating to assets
Esomeprazole sodium for injection production and construction project . . . .	2,600,000.00		193,749.60		2,406,250.40	Relating to assets
New generation of fully degradable polymer scaffolds . . . . .	1,500,000.00				1,500,000.00	Relating to assets
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment. . . . .	2,355,555.45		1,133,333.29		1,222,222.16	Relating to assets
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center . . . . .	1,500,000.00		300,000.00		1,200,000.00	Relating to assets
Subsidies for the inspection center project . . . . .	1,283,333.40		99,999.96		1,183,333.44	Relating to assets
Land subsidies . . . . .	1,165,311.89		49,533.93		1,115,777.96	Relating to revenue
Modeling and monitoring of data-driven surgical actuator interaction with digestive tract soft tissue. .		1,113,000.00	53,000.00		1,060,000.00	Relating to revenue
Special funds of Baoji Municipal Government . . .	711,755.00		129,410.00		582,345.00	Relating to assets
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials . . . . .	636,500.00		66,999.94		569,500.06	Relating to assets
Subsidies for technological upgrading projects of small and medium-sized enterprises . . . . .	626,337.23		145,239.52		481,097.71	Relating to assets
Design and research and development of microdiagnostic instrument for early gastrointestinal carcinoma. . . . .		417,000.00			417,000.00	Relating to assets
Special funds for project on development of nano-film single-rivet occluders. . . .	600,185.00		313,140.00		287,045.00	Relating to assets

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Item	2020.12.31	Grants increased	Amount included in profit or loss during the period	Other changes	2021.12.31	Relating to assets/Relating to revenue
Conformance evaluation — Benzene sulfonic acid . . .	519,999.89		260,000.04		259,999.85	Relating to assets
Cardiovascular system regeneration and repair key product development project. . . . .	1,259,514.12	1,087,800.00	2,148,025.70		199,288.42	Relating to revenue
Study on system Integration and control strategy of digestive endoscopy surgery robot . . . . .		170,000.00			170,000.00	Relating to revenue
Special funds for the product industrialization project of new type of single-rivet occluders with nickel-free surface and traditional occluders . . . . .	411,666.54		260,000.04		151,666.50	Relating to assets
Special funds for 120 ambulance equipment . . .		130,000.00			130,000.00	Relating to assets
Special funds for the industrialization project of new type of single-rivet occluders with nickel-free surface . . . . .	303,333.19		260,000.04		43,333.15	Relating to assets
Clean energy subsidies . . . .	30,000.00		30,000.00			Relating to assets
Research and development of implantable dual-chamber pacemakers . . . . .	405,000.00		405,000.00			Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement . . . . .	310,600.30		310,600.30			Relating to assets
Research and development of ultrasonic electronic composite imaging system in respiratory cavity . . . .		710,000.00	710,000.00			Relating to assets
Research and development of digestive ultrasonic endoscopy and key components — development of high-frequency ultrasonic endoscopy system . . . . .		1,130,000.00	1,130,000.00			Relating to revenue
Total . . . . .	145,808,359.54	7,907,800.00	12,835,656.64	-853,720.08	140,026,782.82	

*Note:* Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Sciencetech (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to “V (43) Capital reserve” in the note.

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## (41) Other non-current liabilities

Item	2021.12.31	2020.12.31	2019.12.31
Financial liabilities measured at amortized cost . . . . .	679,985,509.35		
Total . . . . .	679,985,509.35		

*Note:* Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to "V (43) Capital reserve" in the note.

## (42) Share capital

Item	2018.12.31	Increase (+) or decrease (-) during the period				Sub-total	2019.12.31
		Issuance of new shares	Bonus issuance	Conversion from reserve	Others		
Total number of shares . . . . .	1,781,652,921.00						1,781,652,921.00

Item	2019.12.31	Increase (+) or decrease (-) during the period				Sub-total	2020.12.31
		Issuance of new shares	Bonus issuance	Conversion from reserve	Others		
Total number of shares . . . . .	1,781,652,921.00				22,928,196.00	22,928,196.00	1,804,581,117.00

*Note:* On 29 July 2020, the eighth meeting of the fifth Board of Directors of the Company deliberated and approved the proposal on *Early Redemption of All Issued Convertible Corporate Bonds*, agreed to exercise the right of early redemption, redeem all "Lepu convertible bonds" registered on the redemption registration date (19 August 2020) at the book value of this convertible bond plus the accrued interest of the current period (RMB100.19/sheet). From 20 August 2020, the trading and stock conversion of "Lepu convertible bonds" will be suspended. The company increased its share capital by RMB22,928,200 due to the exercise and conversion of convertible bond by convertible bond holders.

Item	2020.12.31	Increase (+) or decrease (-) during the period				Sub-total	2021.12.31
		Issuance of new shares	Bonus issuance	Conversion from reserve	Others		
Total number of shares . . . . .	1,804,581,117.00				6,193.00	6,193.00	1,804,587,310.00

*Note:* Please refer to the Note" V. (37) Bonds payable" for changes in the share capital of the Company.

## (43) Other equity instruments

The changes of outstanding financial instruments such as preferred shares and perpetual bonds at the end of the period.

Financial instruments outstanding	2020.12.31		Increase		Decrease		2021.12.31	
	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value	Quantity	Carrying value
Convertible corporate bonds . . .			16,380,000.00	214,790,321.83	1,853.00	23,956.53	16,378,147	214,766,365.30
Total . . . . .			16,380,000	214,790,321.83	1,853	23,956.53	16,378,147	214,766,365.30

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## (44) Capital reserve

Item	2018.12.31	Increase	Decrease	2019.12.31
Capital premium (shares premium) . . . . .	30,419,814.76		30,419,814.76	
Other capital reserve . . . .	60,254,463.62		58,168,477.82	2,085,985.80
Total. . . . .	90,674,278.38		88,588,292.58	2,085,985.80

*Note:* Other non-current liabilities are financial liabilities measured at amortized cost according to the requirements of accounting standards after the subsidiary Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd. receives additional capital from certain investors. Please refer to "V (43) Capital reserve" in the note.

Item	2019.12.31	Increase	Decrease	2020.12.31
Capital premium (shares premium) . . . . .		737,226,927.54	692,121.57	736,534,805.97
Other capital reserve . . . .	2,085,985.80	220,557,782.31		222,643,768.11
Total. . . . .	2,085,985.80	957,784,709.85	692,121.57	959,178,574.08

*Notes:*

- 1) On 29 July 2020, the eighth meeting of the fifth Board of Directors of the Company deliberated and approved the Motion on *Early Redemption of All Issued Convertible Corporate Bonds*, agreed to exercise the right of early redemption, redeem all "Lepu convertible bonds" registered on the redemption registration date (19 August 2020) at the book value of this convertible bond plus the accrued interest of the current period (RMB100.19/sheet). From 20 August 2020, the trading and stock conversion of "Lepu convertible bonds" will be suspended. The equity premium of the company increased by RMB723,171,719.31 as a result of the exercise and conversion of convertible bond by convertible bond holders.
- 2) In 2020, the Company, through its subsidiary Beijing Lepu Medical Technology Co., Ltd. (hereinafter referred to as "Lepu Diagnostics"), implemented equity incentive on Ningbo Shanhai and Ningbo Xiran as the shareholding platform, affecting capital reserve of RMB976,675.62. See "X. Share-based payment" for details.
- 3) In 2020, other changes in the Company's capital premium are detailed in "VII. (2) Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary remains under control".
- 4) For changes in other capital reserves, see "V. (12) Long-term equity investments".

Item	2020.12.31	Increase	Decrease	2021.12.31
Capital premium (shares premium) . . . . .	736,534,805.97	37,396,384.67	112,295,979.23	661,635,211.41
Other capital reserve . . . .	222,643,768.11	99,426,954.62		322,070,722.73
Total. . . . .	959,178,574.08	136,823,339.29	112,295,979.23	983,705,934.14

*Notes:*

- 1) The Company entered into an agreement with Vivo Capital Fund IX, L.P., SCC Growth VI Holdco AF Ltd. on 28 May 2021, Ltd., Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership), Huaihua Haozhi Enterprise Management Partnership (Limited Partnership) and CDH Supermatrix D Limited (be called by "Capital Increase Party") signed the *Capital increase Agreement for Lepu Sciencetech (Shanghai) Co., Ltd.* The capital increase party shall subscribe 29,558,155 shares issued by Lepu Sciencetech (Shanghai) Co., Ltd. with USD95,177,260.66 or equivalent RMB, and the newly added shares account for 9.1146% of the total share capital of Lepu Sciencetech (Shanghai) Co., Ltd. after the completion of the capital increase. According to the agreement, in the "liquidation event" and "sale event" of Lepu Sciencetech (Shanghai) Co., Ltd., the capital increasing party has the right to require Lepu Sciencetech (Shanghai) Co., Ltd. to return the investment in accordance with the investment amount and the annual yield of 10%. For this priority right, the relevant capital increase is recognized as a financial liability measured at amortized cost and listed as "other non-current liabilities" in the financial statements. The difference between it and the capital increase received shall correspond to the reduced capital reserve of RMB61,766,977.03 of the company's shareholding ratio.
- 2) Lepu Conversion bonds will enter the stock conversion period on 8 October 2021, and part of the stock conversion will be recorded in the capital premium of RMB175,754.15.
- 3) For other changes in the capital premium, see note "VII. (2) Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary remains under control".

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- 4) The company, through its subsidiary Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd, respectively, takes Ningbo Jiacheng Enterprise Management Partnership (Limited Partnership) (hereinafter referred to as "Ningbo Jiacheng") and Ningbo Jiadu Business Management Partnership (Limited Partnership) (hereinafter referred to as "Ningbo Jiadu") as an employee stock ownership platform to implement equity incentive, taking Ningbo Shanhai Enterprise Management Partnership (Limited Partnership), Ningbo Xiran Investment Management Center (Limited Partnership) as an employee stock ownership platform to implement equity incentive through its subsidiary Lepu Diagnostics, thereby increasing the capital reserve of 43,377,811.14 yuan, see "XI, share payment" in the note.
- 5) Other increases in other capital reserves are mainly caused by the increase in equity due to the dilution of shareholding ratio caused by the introduction of other capital increasing parties. For details, see "V. (12) Long-term Equity Investment" in this note.

### (45) Treasury shares

Item	2018.12.31	Increase	Decrease	2019.12.31
Treasury shares. . . . .	95,995,791.07	158,286,298.88		254,282,089.95
Total. . . . .	95,995,791.07	158,286,298.88		254,282,089.95

*Note:* On 18 November 2018 and 7 December 2018, the 18th meeting of the fourth Board of Directors of the Company and the third extraordinary general meeting of shareholders in 2018 respectively reviewed and approved the *Plan on the Company's Repurchase of Part of the Public Shares* and other relevant motions, agreed that the company shall use no less than RMB300 million and no more than RMB500 million of its own funds to buy back part of the company's public shares through centralized bidding, and the repurchase price shall not be higher than RMB35 per share.

The company held the 28th meeting of the fourth board of Directors on 6 December 2019 to review and approve the proposal on adjusting the *Plan for the Repurchase of the Shares of the Company*. Adjusted the share buyback plan is: the company use its own funds by way of centralized competitive trading to buy back part of the social public company shares, the repurchase price is not higher than RMB35 per share, repurchase total amount not less than RMB250 million and not more than RMB500 million, the buyback period from the date of the shareholders meeting examined and approved the buyback plan 12 months. The shares to be repurchased will be used to convert convertible corporate bonds issued by the company into shares.

At the end of 2019, the term of share buyback will expire and the company's buyback plan will be completed.

Item	2019.12.31	Increase	Decrease	2020.12.31
Treasury shares. . . . .	254,282,089.95			254,282,089.95
Total. . . . .	254,282,089.95			254,282,089.95

Item	2020.12.31	Increase	Decrease	2021.12.31
Treasury shares. . . . .	254,282,089.95	109,909,846.27		364,191,936.22
Total. . . . .	254,282,089.95	109,909,846.27		364,191,936.22

*Note:* The 24th meeting of the fifth Board of Directors and the 21st meeting of the fifth Board of Supervisors held on 2 November 2021 reviewed and approved the *Resolution on Plan for the Repurchase of the Shares of the Company*, agreed the company to buy back part of the social public company shares for not less than RMB300 million and not more than RMB500 million of its own funds by way of centralized competitive trading. The repurchase price shall not be higher than RMB35 per share. The implementation period of the share buyback shall not exceed 12 months from the date when the board of Directors approves the buyback plan.

In 2021, the company will repurchase 5,022,000 shares of the company through centralized bidding trading with the repurchase special securities account, accounting for 0.2783% of the total share capital of the company. The highest and lowest transaction prices are RMB22.97 per share and RMB21.17 per share.

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## (46) Other comprehensive income

Item	2018.12.31	Adjustment due to the changes of accounting policy	2019.1.1	Amount before income tax for the year	2019			
					Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Amount attributable to the Company after tax	Amount attributable to minority interests after tax to the Company after tax
1. Other comprehensive income that may not be subsequently reclassified to profit or loss . . . . .		108,298,887.46	108,298,887.46	-7,027,780.95		26,796,485.23	-29,013,429.08	21,985,648.13
Including: Changes in fair value of other equity instruments . . . . .		108,298,887.46	108,298,887.46	-7,027,780.95		26,796,485.23	-29,013,429.08	21,985,648.13
2. Other comprehensive income that will be subsequently reclassified to profit or loss. . . . .	342,205,910.69	-295,298,887.46	46,907,023.23	14,367,411.93			13,780,181.41	587,230.52
Including: Profit or loss on changes in fair value of financial assets available for sale . . . . .	295,298,887.46	-295,298,887.46						
Exchange differences arising from translation of foreign currency . . .	46,907,023.23		46,907,023.23	14,367,411.93			13,780,181.41	587,230.52
Total other comprehensive income . . . . .	342,205,910.69	-187,000,000.00	155,205,910.69	7,339,630.98		26,796,485.23	-15,233,247.67	22,572,878.65
								113,176,177.79



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	2020					
	Item	2019.12.31	Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Amount attributable to minority interests after tax payable to the Company after tax
	1. Other comprehensive income that may not be subsequently reclassified to profit or loss . . Including: Changes in fair value of other equity instruments . . . . .	52,488,973.15	193,201,047.95		123,959,147.37	78,926,825.51
	2. Other comprehensive income that will be subsequently reclassified to profit or loss . . Including: Exchange differences arising from translation of foreign currency . . . . .	52,488,973.15	193,201,047.95		123,959,147.37	78,926,825.51
		60,687,204.64	-55,449,572.38			-3,305,328.67
	Total other comprehensive income . . . . .	60,687,204.64	-55,449,572.38			-3,305,328.67
		113,176,177.79	137,751,475.57		123,959,147.37	75,621,496.84
						37,457,150.30

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	2021					
	2020.12.31	Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to minority interests after taxbutable to the Company after tax
Item	2020.12.31	Amount before income tax for the year	Less: Net amounts previously included in other comprehensive income and transferred to profit or loss for the period	Less: Net amount previously included in other comprehensive income and transferred to retained earnings for the period	Less: Income tax expense	Amount attributable to minority interests after taxbutable to the Company after tax
1. Other comprehensive income that may not be subsequently reclassified to profit or loss . . Including: Changes in fair value of other equity instruments . . . . .	28,914,189.37	274,983,246.46		88,781,389.40	57,212,372.54	10,390,157.83
2. Other comprehensive income that will be subsequently reclassified to profit or loss . . Including: Other comprehensive income that can be transferred to profit or loss under the equity method . . . . .	8,542,960.93	-29,427,072.35		88,781,389.40	57,212,372.54	10,390,157.83
Exchange differences arising from translation of foreign currency . .		-1,940.44				-2,273,530.81
Total other comprehensive income .	37,457,150.30	245,556,174.11		88,781,389.40	57,212,372.54	8,116,627.02
						147,513,516.06
						147,513,516.06
						-18,610,580.61
						-1,940.44
						-2,273,530.81
						128,902,935.45

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### (47) *Surplus reserve*

Item	2018.12.31	Adjustment due to the changes of accounting policy	2019.1.1	Increase	Decrease	2019.12.31
Statutory surplus reserve . . . . .	393,752,382.23		393,752,382.23	67,707,009.31	38,095,632.45	423,363,759.09
Total . . . . .	393,752,382.23		393,752,382.23	67,707,009.31	38,095,632.45	423,363,759.09

Item	2019.12.31	Adjustment due to the changes of accounting policy	2020.1.1	Increase	Decrease	2020.12.31
Statutory surplus reserve . . . . .	423,363,759.09		423,363,759.09	65,499,551.62	86,328,730.06	402,534,580.65
Total . . . . .	423,363,759.09		423,363,759.09	65,499,551.62	86,328,730.06	402,534,580.65

Item	2020.12.31	Increase	Decrease	2021.12.31
Statutory surplus reserve . . . . .	402,534,580.65	182,635,595.90		585,170,176.55
Total . . . . .	402,534,580.65	182,635,595.90		585,170,176.55

### (48) *Retained earnings*

Item	2021	2020	2019
Retained earnings as at the end of last year before adjustment . . . . .	6,923,321,919.53	5,416,779,818.86	3,849,339,911.52
Beginning adjustment to undistributed profits ("+" for plus; "-" for less) . . .			174,970,513.35
Retained earnings as at the beginning of the year after adjustment . . . . .	6,923,321,919.53	5,416,779,818.86	4,024,310,424.87
Add: Net profit attributable to shareholders of the Company for the year . . . . .	1,719,324,578.02	1,801,932,532.92	1,725,306,191.17
Transfer from other comprehensive income to retained earnings . . . . .	69,526,006.81	123,959,147.37	26,796,485.23
Less: Statutory surplus reserve set aside . . . . .	182,635,595.90	65,499,551.62	67,707,009.31
Dividend payable on ordinary shares . .	408,616,643.08	353,850,028.00	291,926,273.10
Retained earnings as at the end of the year . . . . .	8,120,920,265.38	6,923,321,919.53	5,416,779,818.86

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### *(49) Operating revenue and operating cost*

#### *Breakdown of operating revenue and operating cost*

Item	2021		2020		2019	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal business. . .	10,612,994,292.70	4,130,196,130.16	7,992,054,216.26	2,623,052,990.08	7,759,243,124.97	2,145,419,013.37
Other businesses . . .	46,740,582.37	26,440,829.58	46,613,324.71	30,720,908.34	36,286,261.37	19,776,346.61
Total . . . . .	10,659,734,875.07	4,156,636,959.74	8,038,667,540.97	2,653,773,898.42	7,795,529,386.34	2,165,195,359.98

### *(50) Taxes and surcharges*

Item	2021	2020	2019
City maintenance and construction tax . . . . .	47,213,145.14	37,796,287.38	43,356,140.18
Educational surcharge. . . . .	39,829,289.77	31,254,393.62	35,278,573.79
Property tax. . . . .	14,689,706.80	11,746,417.72	7,816,532.24
Land use tax . . . . .	3,195,089.17	2,719,388.46	2,067,627.04
Vehicle usage tax. . . . .	144,137.01	112,607.65	112,578.32
Stamp duty . . . . .	8,403,858.29	6,180,261.77	4,036,517.47
Others . . . . .	304,467.82	669,035.48	3,562,182.94
Total . . . . .	113,779,694.00	90,478,392.08	96,230,151.98

### *(51) Selling expenses*

Item	2021	2020	2019
Market fee. . . . .	1,088,538,307.17	980,917,212.24	1,238,565,012.06
Employee benefit expense. . . . .	605,737,965.25	466,491,261.88	417,979,550.12
Traveling expense . . . . .	109,279,826.10	109,195,197.22	161,353,278.70
Exhibition fee . . . . .	59,537,530.07	58,751,707.63	83,087,407.66
Business expenditure . . . . .	69,412,573.78	71,649,126.31	75,640,133.05
Advertising publicity fee . . . . .	76,042,345.74	76,084,939.41	66,136,996.13
Transportation fee . . . . .			31,137,549.07
Depreciation expense . . . . .	40,674,581.86	26,562,776.63	21,866,039.10
Business fee . . . . .	16,823,700.96	12,947,149.87	17,884,487.81
Property rental fee . . . . .	5,550,504.68	12,927,460.21	8,607,712.02
Others . . . . .	37,593,298.86	23,255,847.59	49,419,263.04
Total . . . . .	2,109,190,634.47	1,838,782,678.99	2,171,677,428.76

### *(52) Administrative expenses*

Item	2021	2020	2019
Employee benefit expense. . . . .	309,898,731.59	269,299,468.52	239,588,485.42
Depreciation expense . . . . .	118,990,573.52	125,592,674.80	107,956,777.16
Consult service fee. . . . .	109,253,561.81	40,189,201.44	54,374,113.88
Traveling expense . . . . .	20,165,224.94	17,383,722.78	23,830,857.99
Business fee . . . . .	45,590,325.55	28,327,511.70	34,763,822.69
Property rental fee . . . . .	25,930,434.29	33,397,393.20	27,191,450.85
Business entertainment expense. . . . .	20,935,128.07	13,926,967.24	14,478,958.37
Amortization fee . . . . .	27,951,074.43	24,898,331.88	18,864,534.40
Water, electricity and steam . . . . .	9,577,523.99	6,626,702.36	6,876,414.22
Others . . . . .	60,051,053.32	47,033,899.51	58,070,703.88
Total . . . . .	748,343,631.51	606,675,873.43	585,996,118.86

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### *(53) Research and development expenses*

Item	2021	2020	2019
Employee benefit expense. . . . .	396,855,629.61	311,927,071.17	231,988,346.08
Materials consumed, energy expense, and testing expense . . . . .	249,471,294.94	203,291,279.22	129,495,177.14
Depreciation and amortization expense . . . . .	90,046,759.40	73,746,650.62	30,383,120.78
Design and clinical trial fee . . . . .	64,031,118.43	35,568,468.98	42,401,196.19
Commissioned external research and development expense . . . . .	39,628,885.60	53,257,279.61	54,340,364.11
Others . . . . .	67,907,649.67	58,343,420.52	55,305,735.22
Total . . . . .	907,941,337.65	736,134,170.12	543,913,939.52

### *(54) Financial expenses*

Item	2021	2020	2019
Interest expenses . . . . .	228,486,195.36	268,918,253.85	321,704,202.89
Including: Interest expenses for lease liabilities . . . . .	7,542,571.33		
Less: Interest income . . . . .	57,585,210.52	43,160,025.55	44,351,724.18
Net exchange losses/gains. . . . .	-6,577,845.21	26,956,566.95	-6,815,755.16
Unrealized financing income. . . . .	-998,247.37	-1,141,713.63	-1,582,912.72
Service fee . . . . .	8,435,519.36	15,092,113.13	10,919,205.55
Total . . . . .	171,760,411.62	266,665,194.75	279,873,016.38

### *(55) Other income*

Item	2021	2020	2019
Government grants . . . . .	77,552,473.79	58,845,892.48	24,720,695.22
Additional deductions for input VAT. . . . .	870,881.07	594,895.43	2,724,096.68
Withholding individual income tax commission . . . . .	1,094,915.05	1,519,663.13	416,523.03
Others . . . . .	374.99	226,867.26	
Total . . . . .	79,518,644.90	61,187,318.30	27,861,314.93

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## *Government grants involved into other income*

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Hainan Ecological Software Park subsidy . . . . .	10,046,692.40			Relating to revenue
The technical transformation project with annual output of 300 tons of atorvastatin intermediate A8, 500 tons of key intermediate L1, and 300 tons of atorvastatin calcium L4 . . . . .	5,534,000.00			Relating to revenue
Software tax return . . . . .	4,633,803.19			Relating to revenue
Tax reduction and exemption . . . .	4,307,157.35			Relating to revenue
Industrial support subsidy . . . . .	4,250,698.33			Relating to revenue
Subsidies for innovative development . . . . .	3,974,048.00	1,303,350.00		Relating to revenue
Tax refund . . . . .	3,498,651.77	7,364,904.35	7,815,138.52	Relating to revenue
Novel fully degradable polymer scaffolds . . . . .	3,086,005.48	2,200,000.00	1,833,333.33	Relating to assets
Specialized and special Little Giant project . . . . .	2,550,000.00			Relating to revenue
Funds for science and technology development . . . . .	2,400,000.00	3,184,900.00	1,050,300.00	Relating to revenue
Financial subsidies for R&D projects . . . . .	2,179,000.00	1,786,002.00	446,198.00	Relating to revenue
Cardiovascular system regeneration and repair key product development project. . .	2,148,025.70			Relating to revenue
High-quality development support funds for enterprises . . . . .	2,045,209.00			Relating to revenue
Financial subsidies of governments at all levels . . . .	1,748,174.31			Relating to revenue
Subsidies for vocational skills training . . . . .	1,318,000.00			Relating to revenue
The first batch of funds for biomedical industry international market access certification project in 2020 . . .	1,312,327.89			Relating to revenue
Rewards for enterprises' efforts for economic development . . . .	1,290,000.00	847,000.00		Relating to revenue
High-level talent development funds . . . . .	1,270,000.00	1,634,049.66	230,046.59	Relating to revenue
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment . . . . .	1,133,333.29			Relating to assets

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Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Development of digestive ultrasonic endoscopy and key components—development of high-frequency ultrasonic endoscopy system. . . . .	1,130,000.00			Relating to revenue
Patent subsidy. . . . .	1,039,475.00	463,640.00	566,437.00	Relating to revenue
Provincial advanced manufacturing industry development special fund recognition (Certification reward) . . . . .	1,000,000.00			Relating to revenue
The intellectual property leader of zhongguancun and the key demonstration enterprise high-end propulsion project support funds . . . . .	1,000,000.00			Relating to revenue
The exhibition subsidies . . . . .	983,451.40			Relating to revenue
Others . . . . .	980,144.37	803,866.17	569,571.96	Relating to revenue
Research and development of electronic composite imaging system in respiratory cavity . . .	710,000.00			Relating to revenue
Subsidies for stabilizing employment. . . . .	633,513.74	2,682,091.51		Relating to revenue
Research and development funds of enterprises. . . . .	618,000.00			Relating to revenue
2020 Meritorious enterprise award . . . . .	500,000.00			Relating to revenue
Subsidies for certified high-tech enterprises. . . . .	500,000.00	750,000.00		Relating to revenue
Special grants for intellectual property . . . . .	468,145.00	996,300.00	5,000.00	Relating to revenue
Central government funds for infrastructure investment . . . . .	431,000.04	431,000.04	431,000.04	Relating to assets
Lepu pharmaceutical innovative drug R&D service platform . . .	425,044.32			Relating to assets
Research and development of implantable dual-chamber pacemakers . . . . .	405,000.00	540,000.00	540,000.00	Relating to assets
Enterprise recruitment subsidy . . .	401,537.10			Relating to revenue
The second batch of municipal special funds in 2021 . . . . .	400,000.00			Relating to revenue
Innovation voucher subsidy funds . . . . .	394,131.00	322,828.00	197,124.00	Relating to revenue
Annual output of 3 billion tablets of solid preparation project. . . .	388,119.65	388,119.66	161,716.55	Relating to assets
Special support subsidies for producer services and cultural and creative industries . . . . .	380,000.00			Relating to revenue

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Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Supporting funds for improving the international operation capacity of foreign trade enterprises in Beijing . . . . .	378,866.00			Relating to revenue
Unemployment compensation. . . . .	320,974.98			Relating to revenue
Postdoctoral program subsidy. . . . .	320,000.00			Relating to revenue
Special fund of nanomembrane single riveting sealing device development project. . . . .	313,140.00			Relating to assets
Special funds for research and development of medical materials and tissue and organ repair and replacement. . . . .	310,600.30			Relating to revenue
National interventional cardiology medical instruments & engineering technology research center. . . . .	300,000.00			Relating to assets
Heart pacemaker R&D and production base . . . . .	280,000.00			Relating to assets
Special funds for the product industrialization project of new type of single-rivet occluders with nickle-free surface . . . . .	260,000.04	260,000.04	260,000.04	Relating to assets
Special fund of product industrialization project of new single riveting surface nickel-free sealing device. . . . .	260,000.04	260,000.04	260,000.04	Relating to assets
Conformance evaluation—Benzene sulfonic acid . . . . .	260,000.04			Relating to assets
2020 manufacturing high-quality “one excellent two strong” competition to reward goods procurement subsidies . . . . .	253,619.47			Relating to revenue
Foreign trade subsidies . . . . .	248,176.00	700,096.00		Relating to revenue
Municipal academician work cooperation project subsidy . . . . .	240,000.00			Relating to revenue
Enterprise development fund . . . . .	207,454.79			Relating to assets
The funds to support the insurance subsidies of the medical device section in Zhongguancun Demonstration Zone and the foreign registration certification project . . . . .	204,200.00			Relating to revenue
National high-tech enterprise revenue incremental contribution award. . . . .	200,000.00			Relating to revenue



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Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Esomeprazole sodium for injection production and construction project . . . . .	193,749.60			Relating to assets
Vaccination site subsidies . . . . .	153,500.00			Relating to revenue
Special funds for business development . . . . .	151,896.00	1,534,573.97		Relating to revenue
Subsidies for technological upgrading projects of small and medium-sized enterprises . . . . .	145,239.52	145,239.52	145,239.52	Relating to assets
Science and technology award fund of Wujin National High-tech Zone in 2020 . . . . .	138,200.00			Relating to revenue
Special funds of Baoji Municipal Government. . . . .	129,410.00	129,410.00	129,410.00	Relating to assets
Childbirth allowance . . . . .	114,933.69			Relating to revenue
Industry reform leader by output value per acre in Jiaojiang District for 2020 . . . . .	100,000.00			Relating to revenue
Enterprise informatization project subsidy . . . . .	100,000.00			Relating to revenue
Scale rewards for small and micro enterprises . . . . .	100,000.00	400,000.00		Relating to revenue
Subsidies for the inspection center project . . . . .	99,999.96			Relating to assets
Subsidies for job-for-training . . . . .	67,600.00	183,500.00		Relating to revenue
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials . . . . .	66,999.94			Relating to assets
Land subsidies . . . . .	49,533.93			Relating to assets
Unemployment insurance benefits refunded by the government . . . . .	41,691.16	774,887.05		Relating to revenue
Clean energy subsidies . . . . .	30,000.00			Relating to assets
“Specialization and innovation” subsidy . . . . .		450,000.00		Relating to revenue
Special bonus of volatile organic compounds treatment project for 2018 . . . . .		100,000.00		Relating to revenue
Supporting funds for the node construction of Huoju Development Zone health and pharmaceutical industry introduction project for 2019 . . . . .		474,000.00		Relating to revenue

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Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Supporting funds for the second batch of Industrial Design Development Support Scheme for 2020. . . . .		140,000.00		Relating to revenue
Conformance evaluation—Benzene sulfonic acid . . . . .		260,000.04	476,000.04	Relating to assets
Capital subsidies for manufacturers of epidemic prevention materials. . . . .		6,000,000.00		Relating to revenue
Research on key technologies in the field of implantable interventional devices and equipment for heart disease in China National Interventional Cardiology Medical Instruments & Engineering Technology Research Center. . .		300,000.00	300,000.00	Relating to assets
Special fund of nanomembrane single riveting sealing device development project. . . . .		313,140.00	313,140.00	Relating to assets
Others . . . . .		267,515.21	123,889.19	Relating to assets
Salary subsidy for enterprise talent introduction and recommendation. . . . .		714,104.20		Relating to revenue
SIAT-40 research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment of Shenzhen Finance Committee. . . . .		911,111.18	1,533,700.65	Relating to assets
Provincial enterprise technology center subsidy . . . . .		150,000.00		Relating to revenue
Enterprise above designated size of four categories rewards . . . .		200,000.00		Relating to revenue
Online technology market subsidies . . . . .		480,000.00		Relating to revenue
Item [2011] No. 6: Funds for supporting enterprise development—land repayment .		207,454.79	207,454.79	Relating to assets
Funds for industry incentive projects. . . . .		599,000.00		Relating to revenue
Government subsidy for sewage pipe reconstruction project of medical and chemical enterprise . . . . .		249,400.00		Relating to revenue
Park tax rebate support . . . . .		16,351,679.88		Relating to revenue
Reduction and exemption of self-employment retired soldiers . . . . .		412,500.00	356,250.00	Relating to revenue

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Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Zhejiang University 13th Five-Year Project . . . . .		180,229.17		Relating to revenue
Shanghai special fund for guiding the development of service industry. . . . .			800,000.00	Relating to revenue
Special fund for technological innovation capacity construction of Zhongguancun National Independent Innovation Demonstration Zone . . . . .			758,146.50	Relating to revenue
Subsidy from Shenzhen Science, Technology and Innovation Commission. . . . .			723,000.00	Relating to revenue
Project subsidy for enhancing international operation capacity . . . . .			518,195.00	Relating to revenue
Project fund of Beijing Municipal Science and Technology Commission. . . . .			500,000.00	Relating to revenue
Losartan potassium hydrochlorothiazide tablet process improvement technology special fund subsidy . . . . .			500,000.00	Relating to revenue
Manufacturing industry support funds for 2019. . . . .			500,000.00	Relating to revenue
Jiaojiang District Finance Bureau Zero balance Account Jiaojiang District Commerce Bureau (at the same level). . . . .			448,200.00	Relating to revenue
Beijing Municipal Commission of Commerce government subsidy . . . . .			408,574.00	Relating to revenue
Short-term export insurance credit insurance support funds . . . . .			385,235.00	Relating to revenue
Taizhou Jiaojiang District economic informatization pharmaceutical industry development special fund . . . . .			300,000.00	Relating to revenue
Zhongguancun technical standard support fund . . . . .			247,500.00	Relating to revenue
Foreign trade reward . . . . .			114,500.00	Relating to revenue
Social security bureau subsidy . . . . .			104,008.48	Relating to revenue
Technology support—left atrial appendage occluder system. . . . .			100,000.00	Relating to revenue

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Grant item	2021	2020	2019	Relating to assets/Relating to revenue
Special fund for supporting gazelle enterprises in the financial center of Baoji High-tech Industrial Development Zone . . . . .			100,000.00	Relating to revenue
Taizhou Jiaojiang District Economic Informatization and Science and Technology Bureau Lepu Pharmaceutical supporting funds . . . . .			100,000.00	Relating to revenue
Domestic market development project of Shenzhen Small and Medium Enterprise Service Bureau . . . . .			93,320.00	Relating to revenue
Social security bureau subsidy . . . . .			69,065.98	Relating to revenue
Total . . . . .	77,552,473.79	58,845,892.48	24,720,695.22	

## (56) Investment income

Item	2021	2020	2019
Gain on long-term equity investments accounted for using equity method . . . . .	-152,253,735.93	-142,769,061.70	-77,208,050.45
Investment income from disposal of long-term equity investments . . . . .	289,413.99	1,051,515.23	257,452.01
Investment income from disposal of financial assets held-for-trading . . . . .	8,934,906.81	3,588,336.78	
Investment income received from investments in other equity instruments during holding period . . . . .	67,132.09		12,427,783.18
Investment income from disposal of other non current financial assets . . . . .	-297,809,977.57		70,993,008.72
Others . . . . .	43,888,865.82	-15,669,666.64	188,590,399.55
Total . . . . .	-396,883,394.79	-153,798,876.33	195,060,593.01

### Notes:

- Other investment gains obtained in 2021 mainly include the loss of RMB44,030,378.85 caused by the re-measurement of the original equity held by Beijing Huaco Healthcare Technologies Co., Ltd. in accordance with the fair value before the purchase date, which is realized by the Company step by step to merge enterprises under different control. See "VI. Changes in scope of consolidation" for details.
- Other investment gains in 2020 mainly include the loss of RMB10,324,993.04 resulting from the re-measurement of the original equity held by Shaanxi Xingtai Biotechnology Co., Ltd. according to the fair value before the purchase date, which is realized by the Company step by step to merge enterprises not under the same control. For details, see "VI Changes in scope of consolidation". The investment income obtained from the disposal of other non-current financial assets is the impact of the disposal of 9,871,000 Junshi Biosciences shares on the year 2020.
- Other investment gains obtained in 2019 are mainly gains of RMB189,208,541.06 from the re-measurement of the original equity held by the Company according to the fair value before the purchase date of enterprise merger under different control. For details, see "VI. Changes in scope of consolidation".

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### *(57) Gain/loss on change in fair value*

Source of gain on change in fair value	2021	2020	2019
Financial assets held-for-trading . . . .		628,580.82	
Other non-current financial assets . . .	29,340,000.00	451,005,990.00	161,983,110.00
Financial liabilities held-for-trading. .		223,459.88	
Total . . . . .	29,340,000.00	451,858,030.70	161,983,110.00

### *(58) Loss on impairment of credit*

Item	2021	2020	2019
Loss on bad debts of accounts receivable . . . . .	13,223,865.23	38,482,568.47	34,001,625.07
Loss on bad debts of other receivables . . . . .	9,144,384.80	-630,819.36	135,823,394.30
Loss on bad debts of long-term receivables (including due within 1 year) . . . . .	7,539,314.55	-314,900.42	4,036,095.59
Loss on bad debts of interest receivable . . . . .			530,790.44
Total . . . . .	29,907,564.58	37,536,848.69	174,391,905.40

### *(59) Loss on impairment of assets*

Item	2021	2020	2019
Loss on impairment of inventories/contract performance cost . . . . .	9,422,445.23	6,651,420.02	6,235,695.37
Loss on impairment of construction in process. . . . .	25,669.57		
Loss on impairment of intangible asset . . . . .		14,326,182.02	
Loss on impairment of long-term equity investments . . . . .			55,382,668.66
Loss on impairment of goodwill . . . .			108,041,741.10
Loss on impairment of research and development expenditure . . . . .			36,363,865.97
Total . . . . .	9,448,114.80	20,977,602.04	206,023,971.10

### *(60) Gains from disposal of assets*

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Gain or loss from disposal of non-current assets . .	19,900,661.89	2,288,329.64	4,119,193.02	19,900,661.89	2,288,329.64	4,119,193.02
Total . . . . .	19,900,661.89	2,288,329.64	4,119,193.02	19,900,661.89	2,288,329.64	4,119,193.02

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## *(61) Non-operating income*

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Government grants . . . . .	58,827,227.61	67,753,991.00	103,958,532.55	58,827,227.61	67,753,991.00	103,958,532.55
Others . . . . .	4,825,925.00	5,068,134.34	2,903,444.58	4,825,925.00	5,068,134.34	2,903,444.58
Total . . . . .	63,653,152.61	72,822,125.34	106,861,977.13	63,653,152.61	72,822,125.34	106,861,977.13

## *Breakdown of government grants included into non-operating income*

Grant Item	2021	2020	2019	Relating to assets/revenue
Support funds for enterprise development . . . . .	54,546,600.00	59,822,100.00	76,105,897.47	Relating to revenue
Special fund for local technology development guided by the central government in 2021 . . .	2,000,000.00			Relating to revenue
Financial subsidies for R&D projects . . . . .	950,000.00	1,810,000.00		Relating to revenue
Subsidies received from Xinyi Municipal Government for investment promotion subsidy . .	436,693.00	1,856,173.00	2,178,096.00	Relating to revenue
Others . . . . .	307,914.61			Relating to revenue
City's industrial and economic development award fund in 2019 . . . . .	300,000.00			Relating to revenue
Park Reward . . . . .	120,000.00			Relating to revenue
Subsidies for vocational skills training . . . . .	97,040.00	110,928.00	314,107.41	Relating to revenue
Creation academician expert workstation project subsidy . . .	30,000.00			Relating to revenue
Technician subsidy . . . . .	25,000.00	130,000.00		Relating to revenue
Talent Development Fund . . . . .	10,680.00			Relating to revenue
Refund of disability insurance . . .	3,300.00	1,800.00		Relating to revenue
Subsidy funds for emergency supplies . . . . .		3,340,000.00		Relating to revenue
Municipal industrial and economic development award funds . . . . .		300,000.00		Relating to revenue
Park tax rebate support . . . . .		116,000.00		Relating to revenue
Award and subsidy project of Zhoukou science and technology plan in 2019 . . . . .		100,000.00		Relating to revenue
Return of sewage charges . . . . .		51,792.00		Relating to revenue

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Grant Item	2021	2020	2019	Relating to assets/revenue
Epidemic prevention subsidies . . .		25,315.00		Relating to revenue
Subvention of Beijing Shunyi District Market Supervision Administration. . . . .		23,000.00		Relating to revenue
Budget of provincial award funds for Science and technology Awards of Henan Province and state science and technology awards in 2018 . . . . .		20,000.00		Relating to revenue
“Development and Progress Award” of Shanghai Xinmin economic development company . . . . .		20,000.00		Relating to revenue
Patent subsidy. . . . .		17,100.00		Relating to revenue
Subsidy of market supervision administration . . . . .		4,550.00		Relating to revenue
Shunyi District Bureau of economy and information technology. . . . .		2,100.00		Relating to revenue
High-level talent development fund . . . . .		1,733.00		Relating to revenue
Employment security subsidy. . . .		1,400.00		Relating to revenue
Taizhou Jiaojiang district employment management service office unemployment insurance return. . . . .			3,964,386.03	Relating to revenue
Atorvastatin calcium tablet one-off evaluation subsidy award of Taizhou Jiaojiang District Market Supervision Administration. . . . .			3,000,000.00	Relating to revenue
Government subsidy for science and technology little giant project . . . . .			3,000,000.00	Relating to revenue
Hainan Ecological Software Park subsidy . . . . .			7,494,765.59	Relating to revenue
Special subsidies for development of pharmaceutical enterprises . .			2,060,000.00	Relating to revenue
R&D subsidies for enterprise . . . .			1,940,000.00	Relating to revenue
Provincial advanced manufacturing industry development special fund . . . .			1,000,000.00	Relating to revenue
Subsidies for stabilizing employment. . . . .			716,331.95	Relating to revenue
High-tech enterprise rewards . . . .			530,000.00	
Foreign trade development funds . . . . .			434,300.00	Relating to revenue

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Grant Item	2021	2020	2019	Relating to assets/revenue
Jiaojiang Financial Enterprise Meritorious Service Award . . . .			360,000.00	Relating to revenue
Science and technology awards . .			200,000.00	Relating to revenue
Taizhou Jiaojiang District People's Government Haimen Sub-district office enterprise economic work award . . . . .			122,000.00	Relating to revenue
Subsidy for foreign trade exhibitors of Wujin High-tech Zone . . . . .			106,400.00	Relating to revenue
Government rewards . . . . .			65,267.86	Relating to revenue
International exhibition subsidy of Shenzhen Economic, Trade and Information Commission . .			60,000.00	Relating to revenue
Rent subsidies for small and micro enterprises . . . . .			52,900.00	Relating to revenue
Postdoctoral work supporting funds of Changping District . .			50,000.00	Relating to revenue
Supporting subsidies for the development of self-owned brands . . . . .			50,000.00	Relating to revenue
Subsidies for improving international operation capacity . . . . .			40,774.00	Relating to revenue
Social Security Bureau maternity subsidy . . . . .			38,878.76	Relating to revenue
International exhibition government subsidy of Zhongshan Municipal Bureau of Commerce . . . . .			24,840.00	Relating to revenue
Acre contribution award of High-tech Zone Management Committee . . . . .			20,000.00	Relating to revenue
Financial leasing support funds . .			12,837.48	Relating to revenue
Rewards for commended enterprise at the Annual Industry Promotion Conference.			10,000.00	Relating to revenue
Beijing Changping District Disabled Persons' Federation subsidy . . . . .			3,750.00	Relating to revenue
Zhongguancun promotion innovation subsidy . . . . .			3,000.00	Relating to revenue
Total . . . . .	58,827,227.61	67,753,991.00	103,958,532.55	



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## *(62) Non-operating expenses*

Item	Amount for the year			Amount included in non-recurring gains and losses for the year		
	2021	2020	2019	2021	2020	2019
Donation . . . . .	19,107,063.13	10,194,402.95	1,739,805.00	19,107,063.13	10,194,402.95	1,739,805.00
Loss on retirement of damaged non-current assets . . . . .	2,368,972.12	2,661,493.58	502,402.44	2,368,972.12	2,661,493.58	502,402.44
Others . . . . .	40,627,575.00	5,830,723.66	2,615,920.89	40,627,575.00	5,830,723.66	2,615,920.89
Total . . . . .	62,103,610.25	18,686,620.19	4,858,128.33	62,103,610.25	18,686,620.19	4,858,128.33

## *(63) Income tax expense*

### *1) Breakdown of income tax expense*

Item	2021	2020	2019
Current income tax expenses. . . . .	432,089,045.12	296,444,645.40	359,585,754.56
Deferred tax expenses . . . . .	-66,355,711.49	29,789,977.32	-20,121,920.32
Total . . . . .	365,733,333.63	326,234,622.72	339,463,834.24

### *2) Accounting profit and income tax expense adjustment process*

Item	2021	2020	2019
Total profit . . . . .	2,146,151,981.06	2,203,313,189.91	2,063,255,554.12
Income tax expenses calculated at statutory/applicable tax rate. . . . .	536,537,995.26	550,504,202.34	515,813,888.53
Impact of different tax rates for subsidiaries . . . . .	-257,612,985.59	-215,819,184.21	-188,443,300.18
Impact of adjustment for income tax for previous period . . . . .			
Impact of non-taxable income. . . . .			-2,584,454.74
Impact of non-deductible costs, expenses and losses . . . . .	92,047,065.06	58,090,410.06	39,882,776.03
Impact of utilisation of deductible loss for which no deferred tax assets were previously recognized . . . . .	-14,470,688.86	-13,424,810.89	-2,629,819.73
Impact of deductible temporary differences for which no deferred tax assets are recognized for the year or deductible losses . . . . .	95,599,153.54	20,024,295.06	28,425,119.78
Other additional deductible expense under the tax regulations. . . . .	-138,008,955.26	-68,811,174.96	-50,885,328.29
Change in the beginning deferred income tax asset/liability balance due to tax rate adjustment . . . . .	51,641,749.48	-4,329,114.68	
Others . . . . .			-115,047.16
Income tax expense . . . . .	365,733,333.63	326,234,622.72	339,463,834.24

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### *(64) Items of cash flow statements*

#### *1) Cash received relating to other operating activities*

Item	2021	2020	2019
Interest income . . . . .	52,864,902.24	43,445,572.72	32,971,848.40
Government grants . . . . .	34,773,373.65	53,104,714.66	77,869,794.32
Transactions received . . . . .	82,788,671.30	77,986,193.65	52,778,166.54
Total . . . . .	170,426,947.19	174,536,481.03	163,619,809.26

#### *2) Cash paid relating to other operating activities*

Item	2021	2020	2019
Payments of selling, administrative and research expenses . . . . .	2,273,785,841.22	2,103,534,256.93	2,195,176,167.76
Transactions paid . . . . .	49,638,852.50	118,310,573.47	79,795,761.99
Total . . . . .	2,323,424,693.72	2,221,844,830.40	2,274,971,929.75

#### *3) Cash received relating to other investing activities*

Item	2021	2020	2019
Financing product recovered . . . . .	133,729,898.59	313,000,000.00	
Loans and interest recovered . . . . .	58,251,200.00	162,299,604.11	
Equity transfer fund recovered . . . . .			2,000,000.00
Investment deposits recovered . . . . .			3,978,333.33
Total . . . . .	191,981,098.59	475,299,604.11	5,978,333.33

#### *4) Cash paid relating to other investing activities*

Item	2021	2020	2019
Lending funds . . . . .	145,998,384.94	58,600,000.00	133,268,812.78
Financing product paid . . . . .	113,729,898.59	333,000,000.00	
Performance bond paid . . . . .		1,435,478.00	
Others . . . . .		1,937,500.00	
Total . . . . .	259,728,283.53	394,972,978.00	133,268,812.78

#### *5) Cash received relating to other financing activities*

Item	2021	2020	2019
Capital increment with liquidation preference . . . . .	609,740,000.00		
Note margin recovered . . . . .		8,556,722.49	7,199,277.48
Private placement deposits received . . . . .		134,000,000.00	
Other deposit received . . . . .		91,740,000.00	80,000,000.00
Others . . . . .	10,000,000.00	22,650,000.00	
Total . . . . .	619,740,000.00	256,946,722.49	87,199,277.48

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### 6) *Cash payments for other financing activities*

Item	2021	2020	2019
Financing intermediary fees paid. . . .		10,000,000.00	6,970,000.00
Payment for the acquisition of minority interests . . . . .	121,879,281.08	173,752,308.41	263,899,132.57
Stock repurchase . . . . .	109,909,846.27		158,286,298.88
Payment for the loan of the original shareholders of the subsidiary . . . .			3,866,585.00
Payment for capital increment deposit. . . . .		134,000,000.00	
Payment for notes deposit. . . . .	41,250,723.59		
Payment for financial deposit . . . . .	59,282,351.55		
Payment for rental fee . . . . .	78,890,625.72		
Others . . . . .	7,823,191.15	17,664,236.00	
Total . . . . .	419,036,019.36	335,416,544.41	433,022,016.45

### (65) *Supplementary information on consolidated cash flow statement*

#### 1) *Supplementary information on consolidated cash flow statement*

Supplementary information	2021	2020	2019
1. Reconciliation of net profit and cash flows from operating activities:			
Net profit . . . . .	1,780,418,647.43	1,877,078,567.19	1,723,791,719.88
Add: Loss on impairment of credit . .	29,907,564.58	37,536,848.69	174,391,905.40
Loss on impairment of assets . . . . .	9,448,114.80	20,977,602.04	206,023,971.10
Depreciation of fixed assets . . . . .	252,383,807.34	211,183,688.45	180,719,921.30
Depreciation of oil and gas assets . . .			
Depreciation of right-of-use assets . .	56,368,953.31		
Amortization of intangible assets . . .	139,989,433.94	177,024,740.27	103,770,797.41
Amortization of long-term deferred expenses. . . . .	72,831,322.44	54,919,436.92	40,572,478.22
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-") . . . . .	-19,900,661.89	-2,288,329.64	-4,119,193.02
Loss on retirement of fixed assets (gain expressed with "-") . . . . .	2,368,972.12	2,661,493.58	502,402.44
Loss on changes in fair value (gain expressed with "-") . . . . .	-29,340,000.00	-451,858,030.70	-161,983,110.00
Financial expenses (gain expressed with "-") . . . . .	228,486,195.36	268,918,253.85	321,704,202.89
Loss on investments (gain expressed with "-") . . . . .	396,883,394.79	153,798,876.33	-195,060,593.01
Decrease in deferred income tax assets (increase expressed with "-") . . . . .	42,573,163.75	-35,758,476.31	-47,164,104.93
Increase in deferred income tax liabilities (decrease expressed with "-") . . . . .	-108,928,875.24	65,548,453.63	27,042,184.61

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Supplementary information	2021	2020	2019
Decrease in inventories (increase expressed with “-”) . . . . .	-494,734,589.73	-422,851,296.64	-205,590,839.93
Decrease in operating receivables (increase expressed with “-”) . . . . .	42,846,201.68	-32,719,040.47	-252,498,192.58
Increase in operating payable (decrease expressed with “-”) . . . . .	660,390,207.03	165,526,517.70	78,151,513.71
Others . . . . .			
Net cash flows from operating activities . . . . .	3,061,991,851.71	2,089,699,304.89	1,990,255,063.49
2. Significant investing and financing activities not involving cash receipts or payments:			
Conversion of debts into capital . . . . .			
Convertible corporate bonds due within one year. . . . .			
Fixed assets acquired under financing lease arrangement. . . . .			
3. Net changes in cash and cash equivalents			
Ending balance of cash. . . . .	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Less: Beginning balance of cash . . . . .	2,391,237,259.98	1,791,659,837.49	1,997,082,431.24
Add: Ending balance of cash equivalents. . . . .			
Less: Beginning balance of cash equivalents. . . . .			
Net increase in cash and cash equivalents. . . . .	1,292,806,385.05	599,577,422.49	-205,422,593.75

### 2) Net cash paid during the period for acquiring subsidiaries

	2021	2020	2019
Cash or cash equivalents paid during the period for acquiring subsidiaries . . . . .	542,685,658.94	127,364,430.00	291,894,162.08
Including: Aonuo (Qingdao) Pharmaceutical Co.Ltd . . . . .	70,000,000.00		
Beijing Huaco Healthcare Technologies Co., Ltd. . . . .	102,276,155.38		
Suzhou Bonsmile Medical Technology Co., Ltd . . . . .	138,178,603.00		
Tianjin Jiumijiu Optometry Technology Co.Ltd . . . . .	120,000,000.00		
Xizang Tianqiong Technology Development Co., Ltd. . . . .	112,230,900.56		
IPE Biotechnology Co., Ltd . . . . .		88,839,630.00	
Shaanxi Xingtai Biotechnology Co., Ltd. Shaanxi Co., Ltd.. . . . .		36,774,800.00	
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd . . . . .		1,750,000.00	
Liaoning Bo’ao Biopharmaceutical Co., Ltd . . . . .			120,000,000.00

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	2021	2020	2019
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd) . . . .			171,894,162.08
Shenzhen Viatom Technology Co., Ltd . . . . .			
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition . . . . .	89,679,757.32	14,422,823.48	50,998,928.20
Including: Aonuo (Qingdao) Pharmaceutical Co.Ltd . . . . .	447,476.56		
Beijing Huaco Healthcare Technologies Co., Ltd . . . . .	118,933.28		
Suzhou Bonsmile Medical Technology Co., Ltd . . . . .	5,321,172.30		
Tianjin Jiumijiu Optometry Technology Co.Ltd . . . . .	83,791,711.52		
Xizang Tianqiong Technology Development Co., Ltd . . . . .	463.66		
IPE Biotechnology Co., Ltd . . . . .		12,763,758.06	
Shaanxi Xingtai Biotechnology Co., Ltd. Shaanxi Co., Ltd. . . . .		1,623,461.44	
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd . . . . .		35,603.98	
Liaoning Bo'ao Biopharmaceutical Co., Ltd . . . . .			4,290,504.31
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd) . . . .			41,196,701.00
Shenzhen Viatom Technology Co., Ltd . . . . .			5,511,722.89
Add: Cash or cash equivalents paid in current period for acquisition occurred in prior periods . . . . .			
Net cash paid during the period for acquiring subsidiaries . . . . .	453,005,901.62	112,941,606.52	240,895,233.88

### 3) Net cash received for the disposal of subsidiaries during the reporting period

	2021	2020	2019
Cash and cash equivalents received in relation to the disposal of subsidiaries during the year . . . . .	191,030.79	5,895,200.00	
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd . . . .	191,030.79		
Hainan MSD Pharmaceutical Co., Ltd . . . . .		5,895,200.00	
Less: Cash and cash equivalents held by subsidiaries at the date of loss of control . . . . .	38,429.20	2,640,613.60	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

	2021	2020	2019
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd. . . . .	38,429.20		
Hainan MSD Pharmaceutical Co., Ltd. . . . .		2,640,613.60	
Add: Cash or cash equivalents received in current period for disposal occurred in prior periods .			
Including: Lepu (Shenzhen) Insurance Brokerage Co., Ltd . . . . .			
Hainan MSD Pharmaceutical Co., Ltd . . . . .			
Net cash received from the disposal of subsidiaries . . . . .	152,601.59	3,254,586.40	

### 4) Cash and cash equivalents

Item	2021.12.31	2020.12.31	2019.12.31
I. Cash . . . . .	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Including: Cash on hand . . . . .	534,460.52	553,295.19	1,525,673.61
Bank deposits available for use on demand . . . . .	3,665,546,009.77	2,380,733,805.28	1,780,761,961.13
Other cash at bank and on hand for use on demand . . . . .	17,963,174.74	9,950,159.51	9,372,202.75
II. Cash equivalents . . . . .			
Including: Investments in bonds maturing within three months . . . . .			
III. Cash and cash equivalents at the end of the year . . . . .	3,684,043,645.03	2,391,237,259.98	1,791,659,837.49
Including: Restricted cash and cash equivalents used by the Company or intra-group subsidiaries . . . . .			

### (66) Assets subject to restrictions in ownership or use right

Item	Carrying value			Reasons for restrictions
	2021.12.31	2020.12.31	2019.12.31	
Cash at bank and on hand . . . . .	112,968,260.19	39,729,742.20	162,320,386.02	Acceptance deposit, fixed deposit and frozen funds
Receivable financing . . . . .	53,988,547.12	20,958,529.67	23,413,152.62	Pledge billing
Notes receivable . . .			6,074,593.42	Pledge billing
Fixed assets . . . . .	151,760,779.68	190,405,194.25	234,112,506.68	Mortgage, financing
Intangible assets . . .	635,166,666.24	680,847,041.76	706,920,023.28	Long-term loan collateral for infrastructure projects

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Carrying value			Reasons for restrictions
	2021.12.31	2020.12.31	2019.12.31	
Long-term equity investments . . . . .	757,499,286.26	2,244,134,156.98	2,729,787,742.34	M&A loan corresponding to the pledge of the target company's equity
Investment properties . . . . .		12,839,552.40	13,491,503.84	M&A loan mortgage
Total . . . . .	1,711,383,539.49	3,188,914,217.26	3,876,119,908.20	

*Notes:*

- 1) The long-term equity investment with limited ownership in 2021 mainly consists of the 45% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company.
- 2) Long-term equity investment with limited ownership in 2020 mainly consists of 96% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. and 98.05% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by the Company.
- 3) The long-term equity investment with limited ownership in 2019 mainly consists of 96% equity of Zhejiang Lepu Pharmaceutical Co., Ltd. held by the Company and 98.05% equity of Ningbo Bingkun Medical Technology Co., Ltd. held by Shanghai Shape Memory Alloy Material Co., Ltd., a secondary subsidiary of the Company.

## (67) Foreign currency monetary items

### Foreign currency monetary items

31 December 2021

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand . . . . .			663,050,365.62
Including: USD . . . . .	100,405,532.42	6.3757	640,155,553.05
EUR . . . . .	2,145,652.07	7.2197	15,490,964.25
HKD . . . . .	63,421.03	0.8176	51,853.03
INR . . . . .	53,076,266.14	0.0857	4,548,636.01
SGD . . . . .	444,635.60	4.7179	2,097,746.30
JPY . . . . .	8,047,625.00	0.0554	445,959.14
GBP . . . . .	15,637.23	8.6064	134,580.26
AUD . . . . .	27,060.49	4.6220	125,073.58
Accounts receivable . . . . .			116,398,653.34
Including: USD . . . . .	16,932,417.01	6.3757	107,956,011.10
EUR . . . . .	311,986.38	7.2197	2,252,448.07
INR . . . . .	72,230,970.51	0.0857	6,190,194.17
Other receivables . . . . .			315,039.74
Including: USD . . . . .	8,611.87	6.3757	54,906.70
EUR . . . . .	21,900.60	7.2197	158,115.76
INR . . . . .	1,190,400.00	0.0857	102,017.28
Accounts payable . . . . .			35,284,384.35
Including: USD . . . . .	2,531,580.24	6.3757	16,140,596.14
EUR . . . . .	2,641,933.23	7.2197	19,073,965.34

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
HKD . . . . .	3,530.00	0.8176	2,886.13
INR . . . . .	781,058.82	0.0857	66,936.74
Other payables . . . . .			5,680,338.68
Including: USD . . . . .	561,337.38	6.3757	3,578,918.73
EUR . . . . .	257,362.91	7.2197	1,858,083.00
INR . . . . .	2,839,404.34	0.0857	243,336.95
Other non-current assets . . . . .			571,156,845.38
Including: USD . . . . .	89,583,394.04	6.3757	571,156,845.38

31 December 2020

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand . . . . .			461,919,352.80
Including: USD . . . . .	69,606,610.82	6.5249	454,176,174.91
EUR . . . . .	632,562.04	8.0250	5,076,310.37
HKD . . . . .	6,897.26	0.8416	5,805.01
INR . . . . .	29,864,680.69	0.0891	2,661,062.51
Accounts receivable . . . . .			100,183,580.91
Including: USD . . . . .	13,838,633.57	6.5249	90,295,700.21
EUR . . . . .	599,035.83	8.0250	4,807,262.57
INR . . . . .	57,018,968.10	0.0891	5,080,618.13
Other receivables . . . . .			6,994,039.01
Including: USD . . . . .	689,598.11	6.5249	4,499,558.69
EUR . . . . .	294,396.79	8.0250	2,362,534.23
INR . . . . .	1,480,810.00	0.0891	131,946.09
Accounts payable . . . . .			24,072,030.63
Including: USD . . . . .	3,360,766.63	6.5249	21,928,666.20
EUR . . . . .	226,092.19	8.0250	1,814,389.82
JPY . . . . .	4,266,139.00	0.0632	269,619.98
INR . . . . .	666,127.51	0.0891	59,354.63
Other payables . . . . .			1,181,594.59
Including: USD . . . . .	136,141.00	6.5249	888,306.43
EUR . . . . .	18,136.20	8.0250	145,543.02
INR . . . . .	1,658,120.22	0.0891	147,745.14

*Note:* As of 31 December 2020, the bank loan balance contains EUR23 million euros and USD10 million, which have been locked in the exchange rate through the agreement. The converted exchange rate is 7.7487 and 7.70740 respectively, and the converted amount is RMB178.2201 million and RMB70.7400 million respectively.



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2019

Item	Ending balance of foreign currency	Exchange rate	Ending balance denominated in RMB
Cash at bank and on hand . . . . .			235,721,224.03
Including: USD . . . . .	28,570,258.84	6.9762	199,311,839.72
EUR . . . . .	4,354,593.84	7.8155	34,033,328.13
HKD . . . . .	6,897.26	0.8958	6,178.43
SGD . . . . .	579.16	5.1739	2,996.52
INR . . . . .	24,147,105.26	0.0979	2,364,943.34
AUD . . . . .	396.76	4.8843	1,937.89
Accounts receivable . . . . .			127,431,663.79
Including: USD . . . . .	16,574,004.71	6.9762	115,623,571.66
EUR . . . . .	883,309.63	7.8155	6,903,506.42
INR . . . . .	50,077,963.96	0.0979	4,904,585.71
Other receivables . . . . .			2,580,515.73
Including: USD . . . . .	22,786.74	6.9762	158,964.86
EUR . . . . .	309,839.53	7.8155	2,421,550.87
HKD . . . . .			
Other non current assets . . . . .			114,962,801.00
Including: USD . . . . .	15,660,935.00	6.9762	109,253,814.75
EUR . . . . .	730,469.74	7.8155	5,708,986.25
Accounts payable . . . . .			16,429,559.35
Including: USD . . . . .	309,877.70	6.9762	2,161,768.81
EUR . . . . .	1,825,576.17	7.8155	14,267,790.54
Other payables . . . . .			5,375,098.70
Including: USD . . . . .	593,973.17	6.9762	4,143,675.66
EUR . . . . .	155,934.17	7.8155	1,218,703.51
INR . . . . .	129,872.00	0.0979	12,719.53
Long term loans . . . . .			78,154,999.96
Including: EUR . . . . .	10,000,000.00	7.8155	78,154,999.96

*Note:* The Company's subsidiaries, Lepu Medical (Europe) Coöperatief U.A and Netherlands Comed B.V, were located in the Netherlands, using EUR as their accounting currency. Its subsidiary, LepuCare (India) Vascular Solutions Private Limited, operates mainly in India and adopts INR as its accounting currency. Lepu Holdings Limited, G Fund and Lepu (Hong Kong) Co., Limited adopt USD dollar as their accounting standard currency. At the end of the period, foreign currency statements shall be converted in accordance with the accounting Standards for Enterprises.

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## (68) Government grants

### 1) Government grants relating to assets

Item	Amount	Item presented	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
			2021	2020	2019	
Novel fully degradable polymer scaffolds . . . . .	13,805,684.00	Deferred income	3,086,005.48	2,200,000.00	1,833,333.33	Other income
SIAT-40 Research and development of magnetic resonance guided transcranial ultrasound brain stimulation and neural regulation equipment . .	4,400,000.00	Deferred income	1,133,333.29	911,111.18	1,533,700.65	Other income
Support funds for enterprise development . . . . .	42,188,000.00	Deferred income	853,720.08	853,720.08	426,860.04	Construction in process
Central government funds for infrastructure investment . . . . .	8,620,000.00	Deferred income	431,000.04	431,000.04	431,000.04	Other income
Lepu Pharmaceutical innovative drug R&D service platform . . . . .	4,270,000.00	Deferred income	425,044.32	24,481.32		Other income
Research and development of implantable dual-chamber pacemakers . . . . .	2,700,000.00	Deferred income	405,000.00	540,000.00	540,000.00	Other income
Annual output of 3 billion tablets of solid preparation project . . .	4,080,000.00	Deferred income	388,119.65	388,119.66	161,716.55	Other income
Special funds for project on development of nano-film single-rivet occluders . . . . .	1,565,700.00	Deferred income	313,140.00	313,140.00	313,140.00	Other income
National Interventional Cardiology Medical Instruments & Engineering Technology Research Center . . . . .	2,400,000.00	Deferred income	300,000.00	300,000.00	300,000.00	Other income
Heart pacemaker R&D and production base . . . . .	34,300,000.00	Deferred income	280,000.00			Other income
Conformance evaluation—Benzene sulfonic acid . . . . .	1,300,000.00	Deferred income	260,000.04	260,000.04		Other income

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Item	Amount	Item presented	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
			2021	2020	2019	
Special funds for the product industrialization project of new type of single-rivet occluders with nickle-free surface. . . . .	1,300,000.00	Deferred income	260,000.04	260,000.04	260,000.04	Other income
Special funds for the industrialization project of new type of single-rivet occluders with nickle-free surface. . . . .	1,300,000.00	Deferred income	260,000.04	260,000.04	260,000.04	Other income
Enterprise development fund . . . . .	10,286,300.00	Deferred income	207,454.79	207,454.79	207,454.79	Other income
Esomeprazole sodium for injection production and construction project . . .	2,600,000.00	Deferred income	193,749.60			Other income
Subsidies for technological upgrading projects of small and medium-sized enterprises . . . . .	916,816.27	Deferred income	145,239.52	145,239.52	145,239.52	Other income
Special funds of Baoji Municipal Government. . . . .	1,294,100.00	Deferred income	129,410.00	129,410.00	129,410.00	Other income
Subsidies for the inspection center project. . . . .	3,000,000.00	Deferred income	99,999.96			Other income
Subsidies for technical renovation projects of enterprises producing key epidemic prevention and control materials . .	670,000.00	Deferred income	66,999.94	33,500.00		Other income
Land subsidies . . . . .	7,661,247.59	Deferred income	49,533.93	49,533.93	198,135.72	Other income
Clean energy subsidies. . .	300,000.00	Deferred income	30,000.00	60,000.00	60,000.00	Other income
Special funds for 120 ambulance equipment . .	130,000.00	Deferred income				
Medical safety inspection and testing public service platform project funds. . . . .	3,000,000.00	Deferred income		99,999.96	99,999.97	Other income

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## 2) Government grants relating to revenue

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Support funds for enterprise development . . . . .	114,368,700.00	54,546,600.00	59,822,100.00	76,105,897.47	Non-operating income
Hainan Ecological Software Park subsidy . . . . .	10,046,692.40	10,046,692.40		7,494,765.59	Other income
The technical transformation project with annual output of 300 tons of atorvastatin intermediate A8, 500 tons of key intermediate L1, and 300 tons of atorvastatin calcium L4 . . . . .	5,534,000.00	5,534,000.00			Other income
Software tax return. . . . .	4,633,803.19	4,633,803.19			Other income
Tax reduction and exemption . . . . .	4,307,157.35	4,307,157.35			Other income
Industrial support subsidy . . . . .	4,250,698.33	4,250,698.33			Other income
Subsidies for innovative development . . . . .	5,277,398.00	3,974,048.00	1,303,350.00		Other income
Tax refund . . . . .	10,863,556.12	3,498,651.77	7,364,904.35	7,815,138.52	Other income
Specialized and special Little Giant project . . . . .	2,550,000.00	2,550,000.00			Other income
Funds for science and Technology development . . . . .	5,584,900.00	2,400,000.00	3,184,900.00	1,050,300.00	Other income
Financial subsidies for R&D projects . . . . .	3,965,002.00	2,179,000.00	1,786,002.00	446,198.00	Other income
Cardiovascular system regeneration and repair key product development project . . . . .	2,148,025.70	2,148,025.70			Other income
High-quality development support funds for enterprises . . . . .	2,045,209.00	2,045,209.00			Other income
Special fund for local technology development guided by the central government in 2021 . . . . .	2,000,000.00	2,000,000.00			Non-operating income
Financial subsidies of governments at all levels . . . . .	1,748,174.31	1,748,174.31			Other income
Subsidies for vocational skills training . . . . .	1,318,000.00	1,318,000.00			Other income
The first batch of funds for biomedical industry international market access certification project in 2020 . . . . .	1,312,327.89	1,312,327.89			Other income
Rewards for enterprises' efforts for economic development . . . . .	2,137,000.00	1,290,000.00	847,000.00		Other income

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
High-level talent development funds . . . . .	2,904,049.66	1,270,000.00	1,634,049.66	230,046.59	Other income
Development of digestive ultrasonic endoscopy and key components—development of high-frequency ultrasonic endoscopy system . . . . .	1,130,000.00	1,130,000.00			Other income
Patent subsidy. . . . .	1,503,115.00	1,039,475.00	463,640.00	566,437.00	Other income
Provincial Advanced Manufacturing Development Special Fund Recognition (Certification reward). . . . .	1,000,000.00	1,000,000.00			Other income
The intellectual property leader of zhongguancun and the key demonstration enterprise high-end propulsion project support funds . . . . .	1,000,000.00	1,000,000.00			Other income
Exhibition subsidies . . . . .	983,451.40	983,451.40			Other income
Others . . . . .	1,776,560.54	980,144.37	796,416.17	690,206.04	Other income
Research and development subsidies. . . . .	2,760,000.00	950,000.00	1,810,000.00	1,940,000.00	Non-operating income
Research and development of ultrasonic electronic composite imaging system for respiratory cavity . . . . .	710,000.00	710,000.00			Other income
Subsidies for stabilizing employment. . . . .	3,315,605.25	633,513.74	2,682,091.51		Other income
Research and development funds of enterprises . . . . .	618,000.00	618,000.00			Other income
2020 Meritorious Enterprise Award . . . . .	500,000.00	500,000.00			Other income
Subsidies for certified high-tech enterprises . . . . .	1,250,000.00	500,000.00	750,000.00		Other income
Special grants for intellectual property . . . . .	1,464,445.00	468,145.00	996,300.00	5,000.00	Other income
Subsidies received from Xinyi Municipal Government for investment promotion subsidy . . . . .	2,292,866.00	436,693.00	1,856,173.00	2,178,096.00	Non-operating income
Enterprise recruitment subsidy . . . . .	401,537.10	401,537.10			Other income
The second batch of municipal special funds in 2021 . . . . .	400,000.00	400,000.00			Other income
Innovation voucher subsidy funds . . . . .	716,959.00	394,131.00	322,828.00	197,124.00	Other income

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Special support subsidies for producer services and cultural and creative industries . . . . .	380,000.00	380,000.00			Other income
Supporting funds for the project of improving the international operation capacity of foreign trade enterprises in Beijing . . . . .	378,866.00	378,866.00		518,195.00	Other income
Unemployment compensation . . . . .	320,974.98	320,974.98			Other income
Postdoctoral program subsidy . . . . .	320,000.00	320,000.00			Other income
Special funds for research and development of medical materials and tissue and organ repair and replacement . . . . .	310,600.30	310,600.30			Other income
Others . . . . .	476,704.61	307,914.61	168,790.00		Non-operating income
Municipal industrial and economic development award funds . . . . .	600,000.00	300,000.00	300,000.00		Non-operating income
2020 manufacturing high-quality “one excellent two strong” competition to reward goods procurement subsidies . . . . .	253,619.47	253,619.47			Other income
Foreign trade subsidies . . . . .	948,272.00	248,176.00	700,096.00		Other income
Municipal academician work cooperation project subsidy . . . . .	240,000.00	240,000.00			Other income
The funds to support the insurance subsidies of the medical device section in Zhongguancun Demonstration Zone and the foreign registration of the certification project . . . . .	204,200.00	204,200.00			Other income
National high-tech enterprise revenue incremental contribution award . . . . .	200,000.00	200,000.00			Other income
Vaccination site subsidies . . . . .	153,500.00	153,500.00			Other income
Special funds for business development . . . . .	1,686,469.97	151,896.00	1,534,573.97	408,574.00	Other income
Science and technology award fund of Wujin National High-tech Zone in 2020 . . . . .	138,200.00	138,200.00			Other income

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Park Reward. . . . .	120,000.00	120,000.00			Non-operating income
Childbirth allowance. . . . .	114,933.69	114,933.69			Other income
Industry reform leader by output value per acre in Jiaojiang District for 2020. .	100,000.00	100,000.00			Other income
Enterprise informatization project subsidy. . . . .	100,000.00	100,000.00			Other income
Scale rewards for small and micro enterprises . . . . .	500,000.00	100,000.00	400,000.00		Other income
Vocational training subsidy. . .	207,968.00	97,040.00	110,928.00	314,107.41	Non-operating income
Subsidies for job-for-training. . . . .	251,100.00	67,600.00	183,500.00		Other income
Unemployment insurance benefits refunded by the government . . . . .	816,578.21	41,691.16	774,887.05		Other income
Academician expert workstation creation project subsidy . . . . .	30,000.00	30,000.00			Non-operating income
Technician subsidy. . . . .	155,000.00	25,000.00	130,000.00		Non-operating income
Talent Development Fund. . . .	10,680.00	10,680.00			Non-operating income
Refund of disability insurance . . . . .	5,100.00	3,300.00	1,800.00		Non-operating income
Capital subsidies for manufacturers of epidemic prevention materials. . . . .	6,000,000.00		6,000,000.00		Other income
Salary subsidy for enterprise talent introduction and recommendation . . . . .	714,104.20		714,104.20		Other income
Provincial enterprise technology center subsidy . .	150,000.00		150,000.00		Other income
Enterprise above designated size of four categories enterprise rewards . . . . .	200,000.00		200,000.00		Other income
Online technology market subsidies. . . . .	480,000.00		480,000.00		Other income
New industry projects incentive. . . . .	599,000.00		599,000.00		Other income
Government subsidy for sewage pipe reconstruction project of medical and chemical enterprise . . . . .	249,400.00		249,400.00		Other income
Park tax rebate support . . . . .	16,351,679.88		16,351,679.88		Other income

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Reduction and exemption of self-employment retired soldiers . . . . .	412,500.00		412,500.00	356,250.00	Other income
Zhejiang University 13th Five-Year Project . . . . .	180,229.17		180,229.17		Other income
“Specialization and innovation” subsidy . . . . .	450,000.00		450,000.00		Other income
Supporting funds for the second batch of Industrial Design Development Support Scheme . . . . .	140,000.00		140,000.00		Other income
Special rewards for volatile organic compounds treatment Project. . . . .	100,000.00		100,000.00		Other income
Supporting funds for the node construction of Huoju Development Zone health and pharmaceutical industry introduction project . . . . .	474,000.00		474,000.00		Other income
Health and pharmaceutical industry introduction project district government rent subsidy . . . . .	7,450.00		7,450.00	474,000.00	Other income
Subsidy funds for emergency supplies . . . . .	3,340,000.00		3,340,000.00		Non-operating income
Park tax return support . . . . .	116,000.00		116,000.00		Non-operating income
Taizhou Jiaojiang District Employment Management Service office unemployment insurance return . . . . .				3,964,386.03	Non-operating income
Taizhou Jiaojiang District Market Supervision Administration of atorvastatin calcium tablet one-off evaluation subsidy award . . . . .				3,000,000.00	Non-operating income
Science and Technology Little Giant project government subsidy . . . . .				3,000,000.00	Non-operating income
Special subsidies for development of pharmaceutical enterprises . .				2,060,000.00	Non-operating income
Provincial advanced manufacturing industry development special fund . .				1,000,000.00	Non-operating income



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Special fund for technological innovation capacity construction of Zhongguancun National Independent Innovation Demonstration Zone. . . . .				758,146.50	Other income
Subsidy from Shenzhen Science, Technology and Innovation Commission . . .				723,000.00	Other income
Subsidies for stabilizing employment. . . . .				716,331.95	Non-operating income
Shanghai Special Fund for guiding the development of service industry . . . . .				800,000.00	Other income
High-tech Enterprise Award . .				530,000.00	Non-operating income
Project fund of Beijing Science and Technology Commission . . . . .				500,000.00	Other income
Losartan potassium hydrochlorothiazide tablet process improvement technology special fund subsidy . . . . .				500,000.00	Other income
Manufacturing industry support funds. . . . .				500,000.00	Other income
Jiaojiang District Finance Bureau Zero balance Account Jiaojiang District Commerce Bureau (at the same level) . . . . .				448,200.00	Other income
Foreign trade development Funds . . . . .				434,300.00	Non-operating income
Short-term export insurance credit insurance support funds. . . . .				385,235.00	Other income
Jiaojiang Financial Enterprise Meritorious Service Award . . . . .				360,000.00	Non-operating income
Taizhou Jiaojiang District economic informatization pharmaceutical industry development special fund . .				300,000.00	Other income
Zhongguancun technical standard support fund. . . . .				247,500.00	Other income
Science and technology awards . . . . .				200,000.00	Non-operating income

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Amount	Amount included in profit or loss or written down related cost and expense			Item included in profit or loss or written down related cost and expense
		2021	2020	2019	
Taizhou Jiaojiang District People's Government Haimen Sub-district Office enterprise economic work award . . . . .				122,000.00	Non-operating income
Foreign trade reward. . . . .				114,500.00	Other income
Foreign trade exhibition subsidy of Wujin High-tech Zone . . . . .				106,400.00	Non-operating income
Social security bureau subsidy . . . . .				104,008.48	Other income

### (69) Leases

#### 1) As lessee

Item	2021
Interest expense of lease liabilities . . . . .	7,542,571.33
Expense of short-term leases included in the relevant asset cost or the current profit or loss under simplified treatment. . . . .	9,558,788.68
Total cash outflow related to leases . . . . .	78,890,625.72

There is no anticipated cash outflows from leases committed but not yet commenced of the company in future years.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## VI. Changes in scope of consolidation

### (1) Business combinations not under common control

#### 1. Business combinations not under common control that occurred during the reporting period

2019

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	2019/7/31	440,000,000.00	55.00	Cash	2019/7/31	Achieved effective control and completed business registration changes		-2,446,064.83
Shanghai Yocal Health Management Co., Ltd. . . . .	2019/7/31	444,806,064.66	61.27	Cash	2019/7/31	Achieved effective control and completed business registration changes	15,448,659.16	-15,537,345.82
Shenzhen Viatom Technology Co., Ltd. . . . .	2019/12/31	110,000,000.00	100.00	Cash; Equity	2019/12/31	Achieved effective control and completed business registration changes		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2020

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
IPE Biotechnology Co., Ltd . . . .	2020/4/1	161,526,600.00	57.00	Cash	2020/4/1	Achieved effective control and completed business registration changes	44,443,961.13	9,207,496.91
Shaanxi Xingtai Biotechnology Co., Ltd. . . . .	2020/8/21	49,033,066.67	100.00	Cash	2020/8/21	Achieved effective control and completed business registration changes		-1,917,260.09
Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd. . . . .	2020/7/28	1,750,000.00	100.00	Cash	2020/7/28	Achieved effective control and completed business registration changes	1,372,483.18	417,483.31

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2021

Name of acquiree	Time point for equity acquisition	Cost of equity acquisition	Proportion of equity acquisition (%)	Acquisition method	Acquisition date	Basis for determining acquisition date	Revenue of acquiree from acquisition date to closing date	Net profit of acquiree from acquisition date to closing date
Aonuo (Qingdao) Pharmaceutical Co., Ltd.....	2021/7/20	70,000,000.00	100.00	Cash	2021/7/20	Achieved effective control and completed business registration changes	477,268.11	-1,110,090.41
Tibet Tiandome Technology Development Co., Ltd.....	2021/9/10	112,230,900.60	100.00	Cash	2021/9/10	Achieved effective control and completed business registration changes		-1,489,590.33
Beijing Huaco Healthcare Technologies Co., Ltd.....	2021/10/1	296,936,884.64	87.50	Cash	2021/10/1	Achieved effective control and completed business registration changes	551,344.37	-10,474,825.28
Suzhou Bonsmile Medical Technology Co., Ltd.....	2021/8/23	254,634,348.00	73.43	Cash	2021/8/23	Achieved effective control and completed business registration changes	2,812,331.79	-6,330,844.41
Tianjin Jiumijiu Optometry Technology Co., Ltd.....	2021/12/27	300,000,000.00	70.00	Cash	2021/12/27	Achieved effective control and completed business registration changes		

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2. Cost of combination and goodwill

2019

	Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.	Shanghai Yocaly Health Management Co., Ltd.	Shenzhen Viatom Technology Co., Ltd.
Combination cost			
— Cash . . . . .	120,000,000.00	171,894,162.09	
— Fair value of non-cash assets . . . .			
— Fair value of debt issued or assumed . . . . .			
— Fair value of equity securities issued . . . . .			66,000,000.00
— Fair value of contingent consideration . . . . .			
— Fair value of equity interests held before purchase date on acquisition date . . . . .	320,000,000.00	272,911,902.57	44,000,000.00
— Others . . . . .			
Total consolidation cost . . . . .	440,000,000.00	444,806,064.66	110,000,000.00
Less: fair value share of identifiable net assets obtained . . . . .	181,053,482.27	105,108,725.11	43,291,397.24
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired . . .	258,946,517.73	339,697,339.55	66,708,602.76

2020

	IPE Biotechnology Co., Ltd	Shaanxi Xingtai Biotechnology Co., Ltd.	Lepu Youkang (Hainan) Health Industry Co., Ltd (used name: Huiyan Shijin (Hainan) Pharmaceutical Co., Ltd.
Combination cost			
— Cash . . . . .	161,526,600.00	36,774,800.00	1,750,000.00
— Fair value of non-cash assets . . . .			
— Fair value of debt issued or assumed . . . . .			
— Fair value of equity securities issued . . . . .			
— Fair value of contingent consideration . . . . .			
— Fair value of equity interests held before purchase date on acquisition date . . . . .		12,258,266.67	
— Others . . . . .			
Total consolidation cost . . . . .	161,526,600.00	49,033,066.67	1,750,000.00
Less: fair value share of identifiable net assets obtained . . . . .	158,747,880.31	5,413,888.94	-4,622,201.50
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired . . .	2,778,719.69	43,619,177.73	6,372,201.50

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2021

	Aonuo (Qingdao) Pharmaceutical Co., Ltd.	Tibet Tiandome Technology Development Co., Ltd.	Beijing Huaco Healthcare Technologies Co., Ltd.	Suzhou Bonsmile Medical Technology Co., Ltd.	Tianjin Jiumijiu Optometry Technology Co., Ltd.
Combination cost					
— Cash . . . . .	70,000,000.00	112,230,900.60	226,223,228.00	254,634,348.00	300,000,000.00
— Fair value of non-cash assets . . . . .					
— Fair value of debt issued or assumed . . . . .					
— Fair value of equity securities issued . . . . .					
— Fair value of contingent consideration . . . . .					
— Fair value of equity interests held before purchase date on acquisition date . . . . .			70,713,656.64		
— Others . . . . .					
Total consolidation cost . . . . .	70,000,000.00	112,230,900.60	296,936,884.64	254,634,348.00	300,000,000.00
Less: fair value share of identifiable net assets obtained . . . . .	-15,693,914.06	112,230,900.60	157,288,131.94	132,080,722.80	146,025,292.78
Goodwill/consolidation costs less than share of fair value of identifiable net assets acquired . . . . .	85,693,914.06		139,648,752.70	122,553,625.20	153,974,707.22

3. *Gains or losses arising from the remeasurement of equity interests held prior to the acquisition date at fair value*

Name of acquiree	Carrying value at the date of purchase of the original holding before the acquisition date	Fair value at the date of purchase of the original holding before the acquisition date	Gains or losses arising from the re measurement of the original equity held before the acquisition date at the fair value	Determination method and main assumptions to fair value at the date of purchase of the original holding before the acquisition date	Amount of other comprehensive income related to the original equity held before the acquisition date transferred to investment income/retained income
Beijing Huaco Healthcare Technologies Co., Ltd. . . .	26,683,217.79	70,713,656.64	44,030,378.85	Fair market price	
Shaanxi Xingtai Biotechnology Co., Ltd. . . .	22,583,259.71	12,258,266.67	-10,324,993.04	Fair market price	
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	217,563,293.88	320,000,000.00	102,436,706.12	Fair market price	
Shanghai Yocaly Health Management Co., Ltd. . . .	194,701,702.36	272,911,902.57	78,210,200.21	Fair market price	
Shenzhen Viatom Technology Co., Ltd. . . .	35,438,365.27	44,000,000.00	8,561,634.73	Fair market price	

4. *Relevant explanations on the consolidation consideration or the identifiable assets of the acquiree and the fair value of liabilities that cannot be determined with reasonable certainty on the purchase date or at the end of the period of the relevant consolidation*

**(2) Disposal of subsidiaries**

**1. Lose control of a subsidiary upon a single disposal of investment**

2020

Name of subsidiary	Equity disposal price	Proportion of equity disposal (%)	Method of equity disposal	Time point for loss of control	Basis for determining time point for loss of control	Differences between the disposal price and the share of net assets of the subsidiary at the level of consolidated financial statements corresponding to the disposal of investment	Proportion of remaining equity on the date of loss of control	Carrying value of the remaining equity interest at the date of loss of control	Fair value of the remaining equity interest at the date of loss of control	Gain or loss arising from remeasurement of the remaining equity interest at fair value	Determination method and main assumptions of the remaining equity on the date of loss of control	Amount transferred from other comprehensive income related to equity investment of original subsidiaries to investment profit and loss
Hainan MSD Pharmaceutical Co., Ltd. . . .	7,894,750.00	68.65	Disposal	2020/1/19	All rights and obligations relating to the underlying equity interest have been transferred	1,051,515.23	6,843,234.77	7,894,750.00				



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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### *(3) Changes in consolidation scope for other reasons*

1. On 13 May 2020, the Company made a contribution of RMB20 million to establish Lepu International Holdings (Shenzhen) Co., Ltd. with a 100% shareholding. As at 31 December 2020, the actual contribution was RMB3.5 million.
2. On 27 May 2020, the Company made a capital contribution of RMB117.65 million to establish Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd, with a shareholding ratio of 85%. As at 31 December 2020, the actual contribution was RMB9.5 million.
3. On 1 September 2020, the Company contributed RMB10 million to establish Yinchuan Lepu Internet Hospital Co., Ltd., with a 100% shareholding, and as at 31 December 2020, the actual capital contribution was RMB2 million.
4. On 1 September 2020, the Company made a capital contribution of RMB100 million to establish Lepu Guanzhi Biotechnology Co., Ltd, with a 70% shareholding, which had not been contributed as at 31 December 2020.
5. On 24 November 2020, Lepu Medical (Shenzhen) International Development Center Co., Ltd., a secondary subsidiary of the Company, established Lepu (Hong Kong) Co., Limited with a 100% shareholding, which has not been funded as at 31 December 2020.
6. On 28 June 2020, the Company made a capital contribution of RMB117.65 million to establish Lepu Youkang (Beijing) Pharmaceutical Technology Co., Ltd, with a shareholding ratio of 85%, and as at 31 December 2020, the actual capital contribution was RMB10 million.
7. On 3 June 2021, the Company made a capital contribution of RMB20 million to establish Lepu Qianshi Digital Technology (Shanghai) Co., Ltd, with a 100% shareholding. As at 31 December 2021, the actual capital contribution was RMB20 million.
8. On 12 November 2021, the Company made a capital contribution of RMB5 million to establish Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd, with a 100% shareholding. As at 31 December 2021, the actual capital contribution was RMB300,000.
9. On 21 December 2021, the Company made a capital contribution of RMB20 million to establish Lepu (Beijing) Medical Technology Co., Ltd with a 100% shareholding. As at 31 December 2021, no capital contribution has been made.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## VII. Equity in other entities

### (1) Equity in subsidiaries

#### 1. Composition of enterprise group

Name of subsidiary	Main operation location	Registration location	Nature of business	Proportion of shareholding (%)		Proportion of shareholding (%)		Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.	Hefei	Hefei	Investment	70.00		70.00		70.00		Business combination not under common control
IPE Biotechnology Co., Ltd.	Beijing	Beijing	Manufacturing industry			91.66				Business combination not under common control
Aonuo (Qingdao) Pharmaceutical Co., Ltd.	Qingdao	Qingdao	Manufacturing industry		100.00					Business combination not under common control
Beijing Guoyihui Healthcare Technology Co., Ltd.	Beijing	Beijing	Technology development		100.00		100.00		100.00	Business combination not under common control
Beijing Haihetian Technology Development Co., Ltd.	Beijing	Beijing	Technology development		71.39	5.00	71.39		71.39	Business combination not under common control
Beijing Huaco Healthcare Technologies Co., Ltd.	Beijing	Beijing	Technology development		87.50					Business combination not under common control
Beijing JWJ Science & Technology Development Co., Ltd.	Beijing	Beijing	Manufacturing industry		51.00		51.00		51.00	Business combination not under common control

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31		2020.12.31		2019.12.31		Acquisition method
				Proportion of shareholding (%)		Proportion of shareholding (%)		Proportion of shareholding (%)		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Beijing Lejian Medical Investment Co., Ltd.....	Beijing	Beijing	Medical investments	60.00		60.00		60.00		Business combination not under common control
Beijing Lepu Growth Investment Management Co., Ltd.....	Beijing	Beijing	Investment	100.00		100.00		100.00		Establishment
Beijing Lepucare Technology Co., Ltd.....	Beijing	Beijing	Trading	100.00		100.00		100.00		Business combination not under common control
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikangtongda Medical Technology Co., Ltd.)	Beijing	Beijing	Manufacturing industry	100.00		100.00				Establishment
Beijing Lepu Tongxin Technology Co., Ltd.....	Beijing	Beijing	Trading	70.00		70.00		70.00		Establishment
Beijing Lepu Intelligent Medical Technology Co., Ltd.....	Beijing	Beijing	Manufacturing industry					70.00		Establishment
Beijing Lepu Medical Technology Co., Ltd. (used name: Beijing Lepu Medical Technology Co., Ltd)	Beijing	Beijing	Manufacturing industry	93.22	1.09	93.22	1.06	100.00		Establishment
Beijing Ruixiang Taikang Technology Co., Ltd.....	Beijing	Beijing	Trading	100.00		100.00		100.00		Establishment
Beijing Star GK Medical Device Co., Ltd.....	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control
Beijing Tiandi Hexie Technology Co., Ltd.....	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31		2020.12.31		2019.12.31		Acquisition method
				Proportion of shareholding (%)		Proportion of shareholding (%)		Proportion of shareholding (%)		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Hainan MSD Pharmaceutical Co., Ltd.....	Haikou	Haikou	Trading					68.65		Business combination not under common control
Lepu (Beijing) Medical Technology Co., Ltd.....	Beijing	Beijing	Technology development	100.00						Establishment
Lepu Medical Equipment (Beijing) Co., Ltd.....	Beijing	Beijing	Manufacturing industry	100.00		100.00		100.00		Business combination not under common control
Lepu Medical (Europe) Coöperatief U.A. ....	Holland	Holland	Investment	99.95	0.05	99.95	0.05	99.00	1.00	Establishment
Lepu Medical (Shenzhen) International Development Center Co., Ltd.....	Shenzhen	Shenzhen	Manufacturing industry	100.00		100.00		100.00		Establishment
Lepu (Shenzhen) Financial Holding Co., Ltd.....	Shenzhen	Shenzhen	Investment	100.00		100.00		100.00		Establishment
Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd.....	Shenzhen	Shenzhen	Trading	100.00						Establishment
Lepu (Shenzhen) Medical Technology Co., Ltd.....	Shenzhen	Shenzhen	Investment	100.00		100.00		100.00		Establishment
Lepu Guanzhi Biotechnology Co., Ltd.....	Beijing	Beijing	Manufacturing industry	70.00		70.00				Establishment
Lepu International Holdings (Shenzhen) Co., Ltd.....	Shenzhen	Shenzhen	Trading	100.00		100.00				Establishment
Lepu Qianshi Digital Technology (Shanghai) Co., Ltd.....	Shanghai	Shanghai	Investment	100.00						Establishment
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd.....	Shanghai	Shanghai	Manufacturing industry	85.00		85.00				Establishment
Lepu Sciencetech (Shanghai) Co., Ltd.....	Shanghai	Shanghai	Investment	85.48	0.86					Establishment

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31		2020.12.31		2019.12.31		Acquisition method
				Proportion of shareholding (%)		Proportion of shareholding (%)		Proportion of shareholding (%)		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Lepu Pharmaceutical Co., Ltd. . . .	Henan	Henan	Manufacturing industry	99.00	1.00	99.00	1.00	99.00	1.00	Business combination not under common control
Lepu Medical Electronics Technology Co., Ltd. . . . . .	Baoji	Baoji	Manufacturing industry	98.89		98.89		98.89		Business combination not under common control
Lepuyoukang (Beijing) Pharmaceutical Technology Co., Ltd. . . . . .	Beijing	Beijing	Manufacturing industry	70.00		70.00				Establishment
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . . .	Benxi	Benxi	Manufacturing industry	55.00		55.00		55.00		Business combination not under common control
Luoyang Lepu Hospital Co., Ltd. . .	Luoyang	Luoyang	Investment					100.00		Establishment
Ningbo Bingkun Medical Technology Co., Ltd. . . . . .	Ningbo	Ningbo	Investment	100.00		98.05				Business combination not under common control
Qingdao Minyi Investment Center (Limited Partnership) . . . . .	Qingdao	Qingdao	Investment	95.00		95.00		95.00		Establishment
Shanghai Shape Memory Alloy Material Co., Ltd. . . . . .	Shanghai	Shanghai	Manufacturing industry			100.00		100.00		Business combination not under common control
Shaanxi Xingtai Biotechnology Co., Ltd . . . . . . . . . .	Shaanxi	Shaanxi	Manufacturing industry	100.00		100.00				Business combination not under common control
Shanghai Lepu CloudMed Co., Ltd (used name: Shanghai Yocaly Health Management Co. Ltd) . . .	Shanghai	Shanghai	Manufacturing industry	45.12	23.35	45.12	23.35			Business combination not under common control
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd. . . . . .	Shenzhen	Shenzhen	Manufacturing industry	70.00		70.00		70.00		Business combination not under common control

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of subsidiary	Main operation location	Registration location	Nature of business	2021.12.31		2020.12.31		2019.12.31		Acquisition method
				Proportion of shareholding (%)		Proportion of shareholding (%)		Proportion of shareholding (%)		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Shenzhen Purwell Medical Technology Co., Ltd.....	Beijing	Beijing	Manufacturing industry	70.00		70.00		51.00		Business combination not under common control
Shenzhen Sonolepu Medical Technology Co., Ltd.....	Shenzhen	Shenzhen	Manufacturing industry	65.00		65.00		65.00		Establishment
Suzhou Bonsmile Medical Technology Co., Ltd.....	Suzhou	Suzhou	Manufacturing	73.43						Business combination not under common control
Tianjin Yuhengjia Medical Technology Co., Ltd.....	Tianjin	Tianjin	Investment	100		100		100		Business combination not under common control
Tibet Tiandome Technology Development Co., Ltd.....	Lhasa	Lhasa	Investment	100						Business combination not under common control
Xiangcheng Lepu Hospital Management Co., Ltd.....	Xiangcheng	Xiangcheng	Investment	100		100		100		Establishment
Yinchuan Lepu Internet Hospital Co., Ltd.....	Yinchuan	Yinchuan	Manufacturing industry	100		100				Establishment
Zhejiang Lepu Pharmaceutical Co., Ltd.....	Taizhou	Taizhou	Manufacturing industry	98.95		98.95		98.95		Business combination not under common control
Yantai Addeare Bio-Tech Limited Company .....	Yantai	Yantai	Manufacturing industry			95		77.71		Business combination not under common control

*Note:*

1. In 2019, the Company acquired Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. and Shanghai Yocally Health Management Co., Ltd. as its subsidiaries through business combination not under common control, and established its subsidiary Lepu (Shenzhen) Medical Technology Co., Ltd by injecting capital.
2. The Company and its subsidiary Shanghai Shape Memory Alloy Material Co., Ltd (hereinafter referred to as "Shanghai Shape") signed the *Equity Transfer Agreement of Ningbo Bingkun Investment Holding Co., Ltd* in December 2020. The Company paid RMB109,800.00 in cash to purchase 98.05% equity of Ningbo Bingkun Investment Holding Co., Ltd. (hereinafter referred to as "Ningbo Bingkun") held by Shanghai Shape. Upon completion of the acquisition, the Company directly holds 98.05% of the equity of Ningbo Bingkun, which has been changed from a tertiary subsidiary of Lepu Medical to a secondary subsidiary.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2. Significant non-wholly owned subsidiaries

31 December 2021

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing Lejian Medical Investment Co., Ltd. . . . . .	40.00%	15,944,297.89		48,853,253.48
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .	45.00%	-4,807,210.64		138,143,250.18
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	49.00%	1,687,780.71		22,448,323.56
Beijing Haihetian Technology Development Co., Ltd. . . . . .	23.61%	3,896,944.32		21,618,205.68

31 December 2020

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing Lejian Medical Investment Co., Ltd. . . . . .	40.00%	11,003,384.73		32,947,978.46
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .	45.00%	-4,083,477.33		142,950,460.82
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	49.00%	982,894.45		20,760,542.86
Beijing Haihetian Technology Development Co., Ltd. . . . . .	28.61%	3,701,327.02		22,299,449.77

31 December 2019

Name of subsidiary	Portion of minority shareholding	Profit or loss attributable to minority shareholders in the period	Dividends declared to minority shareholders during the period	Balance of minority interests at the end of the period
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	49.00%	3,377,103.24	4,900,000.00	24,543,796.45
Beijing Lejian Medical Investment Co., Ltd. . . . . .	40.00%	-433,148.62		22,067,926.94
Yantai Addcare Bio-Tech Limited Company . . . . .	22.28%	5,964,577.17		33,602,175.40
Shanghai Yocaly Health Management Co., Ltd. . . . . .	31.53%	-6,017,909.25		185,398,433.15
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .	45.00%	-1,100,729.17		147,033,938.14

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 3. Key financial information of significant non-wholly owned subsidiaries

31 December 2021

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd. . . . .	152,397,218.19	103,955,353.49	256,352,571.68	59,870,547.69	63,733,583.62	123,604,131.31
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	21,064,008.51	531,630,615.35	552,694,623.86	169,673,132.02	76,036,491.43	245,709,623.45
Beijing JWJ Science & Technology Development Co., Ltd.. . . . .	42,478,240.86	5,678,955.70	48,157,196.56	2,019,834.13	324,457.20	2,344,291.33
Beijing Haihetian Technology Development Co., Ltd. . . . .	110,213,993.96	11,335,891.85	121,549,885.81	29,931,445.94	54,671.64	29,986,117.58

31 December 2020

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd. . . . .	128,409,229.76	37,028,761.28	165,437,991.04	75,599,482.54	471,517.17	76,070,999.71
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	28,520,333.95	504,818,706.49	533,339,040.44	139,546,093.74	76,125,255.99	215,671,349.73
Beijing JWJ Science & Technology Development Co., Ltd.. . . . .	39,048,926.99	4,344,833.35	43,393,760.34	1,025,305.53		1,025,305.53
Beijing Haihetian Technology Development Co., Ltd. . . . .	85,813,308.44	15,918,280.92	101,731,589.36	23,677,675.04	111,062.97	23,788,738.01

31 December 2019

Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Beijing Lejian Medical Investment Co., Ltd. . . . .	88,705,185.66	46,425,637.67	135,130,823.33	74,729,077.63		74,729,077.63
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	33,873,478.24	447,475,662.97	481,349,141.21	83,390,061.30	71,216,995.16	154,607,056.46
Beijing JWJ Science & Technology Development Co., Ltd.. . . . .	53,000,922.32	3,051,970.85	56,052,893.17	2,855,560.09		2,855,560.09
Shanghai Yocaly Health Management Co., Ltd.. . . . .	212,636,760.52	481,401,857.93	694,038,618.45	75,331,628.63	30,349,126.28	105,680,754.91
Yantai Addcare Bio-Tech Limited Company . . . . .	119,753,291.61	80,626,109.66	200,379,401.27	38,914,653.34	7,757,999.93	46,672,653.27



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2021

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd. . . . . .	243,213,918.66	43,536,301.73	43,381,449.04	76,221,122.64
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .	12,660.56	-10,682,690.30	-10,682,690.30	5,322,396.86
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	13,415,623.91	3,444,450.42	3,444,450.42	5,081,405.99
Beijing Haihetian Technology Development Co., Ltd. . . . . .	121,403,917.46	13,620,916.88	13,620,916.88	20,013,570.72

2020

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd. . . . . .	191,767,409.53	29,454,663.12	28,965,245.63	17,426,872.51
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .	94,339.62	-9,074,394.04	-9,074,394.04	349,305.20
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	10,378,270.41	2,005,907.04	2,005,907.04	-3,137,560.01
Beijing Haihetian Technology Development Co., Ltd. . . . . .	85,076,197.58	12,937,179.38	12,937,179.38	18,118,956.68

2019

Name of subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Beijing Lejian Medical Investment Co., Ltd. . . . . .	170,510,080.56	-1,550,995.39	-1,406,120.34	4,282,890.08
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . .		-2,446,064.83	-2,446,064.83	-11,242,387.81
Beijing JWJ Science & Technology Development Co., Ltd. . . . . .	16,960,454.94	6,892,047.42	6,892,047.42	9,238,011.74
Shanghai Yocaly Health Management Co., Ltd. . . . . .	76,483,272.45	-13,473,711.32	-13,473,711.32	-6,865,163.77
Yantai Addcare Bio-Tech Limited Company . . . . .	145,316,324.14	27,742,413.10	27,742,413.10	28,071,789.16

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (2) Transactions in which the share of ownership interest in a subsidiary changes but the subsidiary remains under control

### 1. Effect of the transaction on minority interests and profits attributable to shareholders of the Company

2021

	Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd	Ningbo Xiyue Business Management Partnership (Limited Partnership)	Ningbo Jingran Enterprise Management Partnership (Limited Partnership)	Beijing Lepu Gene Technology Co., Ltd.	Ningbo Bingkun Medical Technology Co., Ltd.	Beijing Haihetian Technology Development Co., Ltd.
Acquisition cost/consideration for disposal						
— Cash . . . . .	51,284,210.16	-80,920.00	-161,840.00	-42,917,466.66	-21,830,000.00	
Total acquisition cost/consideration for disposal . . . . .	51,284,210.16	-80,920.00	-161,840.00	-42,917,466.66	-21,830,000.00	-12,119,672.29
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed . . . . .	14,128,018.14	-102,236.95	-204,961.55	-12,337,520.04	-9,422,519.86	-4,578,096.85
Differences . . . . .	37,156,192.02	21,316.95	43,121.55	-30,579,946.62	-12,407,480.14	-7,541,575.44
Including: adjustment to capital surplus. . . . .	37,156,192.02	21,316.95	43,121.55	-30,579,946.62	-12,407,480.14	-7,541,575.44

#### Notes:

- 1) In 2021, Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd and Ningbo Jiadu and Ningbo Jiacheng signed the *Capital Increase Agreement for Lepu Sciencetech (Shanghai) Co., Ltd.*, agreeing that Ningbo Jiadu and Ningbo Jiacheng will increase the capital of Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd with RMB31,796,210 million and RMB19,488,000 million respectively. After the completion of the capital increase, the Company directly and indirectly hold a total of 95% equity of Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd, Ningbo Jiadu and Ningbo Jiacheng respectively hold 3.1% and 1.9% equity of Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd after the capital increase.
- 2) In 2021, the Company signed the *Share Transfer Agreement of Beijing Lepu Gene Technology Co., Ltd* with Ningbo Kaisheng and Ningbo Hengsheng Hengrui respectively. It is agreed that the company will acquire 7% equity of Lepu Gene held by Ningbo Kaisheng at RMB30,042,226.65, and 3% equity of Lepu Gene held by Ningbo Hengsheng Hengrui at RMB12,875,240.01. After the completion of the acquisition, in addition to the original indirect holding of 90% of the Lepu Gene, the Company directly holds 10% of its equity.
- 3) In 2021, the Company and Shenzhen Qianhailute Technology Partnership (Limited Partnership) signed the *Share Transfer Agreement of Ningbo Bingkun Medical Technology Co., Ltd*, agreeing that the Company acquired its 1.95% equity of Ningbo Bingkun at RMB21,830,000.00. Upon completion of the acquisition, the Company holds 100% equity of Ningbo Bingkun.
- 4) In 2021, Lepu Growth and Li Weiqing signed the *Partnership Share Transfer Agreement on Ningbo Xinjingmao Investment Management Center (Limited Partnership)*, agreeing that Lepu Growth will acquire 1% of the partnership share of Ningbo Xinjingmao Investment Management Center (Limited Partnership) held by Lepu Growth at RMB85,691.21, thus indirectly holding 0.05% of the equity of Haihetian; Lepu Pharmaceutical Co., Ltd and Zhang Jianmin signed the *Partnership Share Transfer Agreement on Ningbo Xinjingmao Investment Management Center (Limited Partnership)*, agreeing that Lepu Pharmaceutical co., Ltd. acquired 99% of the partnership share of Ningbo Xinjingmao Investment Management Center (limited partnership) held by him at RMB8,483,430.13, thus indirectly holding 4.95% of the equity of Haihetian. After the completion of the acquisition, in addition to the original direct holding of 71.39% of the equity of Haihetian, the Company indirectly holds 5% of its equity.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

2020

	Beijing Lepu Medical Technology Co., Ltd.	Yantai Addcare Bio- Tech Limited Company	Shenzhen Purwell Medical Technology Co., Ltd.	IPE Biotechnology Co., Ltd	Beijing Lepu Intelligent Medical Technology Co., Ltd.
Acquisition cost/consideration for disposal					
— Cash . . . . .	5,673,290.00	97,927,083.65	5,700,000.00	98,219,508.00	
Total acquisition cost/consideration for disposal. . . . .	5,673,290.00	97,927,083.65	5,700,000.00	98,219,508.00	
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed . . . . .	18,751,822.61	26,748,975.22	667,385.65	97,527,386.43	-10,118,007.28
Differences . . . . .	-13,078,532.61	71,178,108.43	5,032,614.35	692,121.57	10,118,007.28
Including: adjustment to capital surplus . . . . .	-13,078,532.61			692,121.57	
Adjustment to surplus reserve . . . . .		71,178,108.43	5,032,614.35		10,118,007.28

*Notes:*

- (1) On 21 April 2020, Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the Company, signed the *Transfer Agreement* with Ningbo Meishan Free Trade Port Zhaohui Investment Management Center (Limited Partnership) and Ningbo Kaisheng Investment Management Center (Limited Partnership) respectively. It is agreed that Ningbo Meishan Free Trade Port Zhaohui Investment Management Center (Limited Partnership) and Ningbo Kaisheng Investment Management Center (limited partnership) will transfer 21.00% and 9.00% of their shares of Beijing Lepu Intelligent Medical Technology Co., Ltd. (hereinafter referred to as “Lepu Intelligent”) to Beijing Lepu Medical Technology Co., Ltd. at zero price respectively. Upon completion of the transfer, Beijing Lepu Medical Technology Co., Ltd. holds 100% equity of Lepu Intelligent.
- (2) On 14 May 2020, the shareholders’ Meeting of Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the company, made a decision and agreed to transfer the 17.2844% equity of Yantai Addcare Bio-Tech Limited Company held by Liu Jie to Beijing Lepu Medical Technology Co., Ltd. On the same day, Beijing Lepu Medical Technology Co., Ltd. and Liu Jie signed the *Equity Transfer Agreement*, agreeing that Liu Jie will transfer its 17.2844% equity of Yantai Addcare Bio-Tech Limited Company to the company, the transfer price is RMB97,927,083.65. On 30 May 2020, the Company and Beijing Lepu Medical Technology Co., Ltd. signed the *Equity Transfer Agreement*, agreed that Beijing Lepu Medical Technology Co., Ltd. would transfer its 17.2844% equity to the Company with the transfer price of RMB9,792,783.65. After the completion of the transfer, the Company holding 95% equity of Yantai Addcare Bio-Tech Limited Company.
- (3) On 9 June 2020, the Company and Chen Xugui and Zhang Jian (hereinafter referred to as the “transferor”) signed the *Equity Transfer Agreement on Shenzhen Purwell Medical Technology Co., Ltd.*, in which the Company acquired 19% of the equity of Shenzhen Purwell Medical Technology Co., Ltd. Upon completion of the acquisition, the company holds 70% equity of Shenzhen Purwell Medical Technology Co., Ltd.
- (4) On 29 June 2020, Beijing Lepu Medical Technology Co., Ltd., a subsidiary of the company, held the third interim general meeting of shareholders in 2020 and agreed to increase the capital of Beijing Lepu Medical Technology Co., Ltd. by Ningbo Xiran Investment Management Center (limited partnership) to the Company by RMB25,319,460; Ningbo Shanhai Enterprise Management Partnership (limited partnership) increased the capital of The Company by RMB201,726,000, so the total capital of Beijing Lepu Medical Technology Co., Ltd. increased from RMB365,000,000 to RMB390,542,290,000. After the completion of the capital increase, the equity of Beijing Lepu Medical Technology Co., Ltd. held by Lepu Medical changed from 100% to 94.28%.
- (5) On August 2020, the company and Beijing Tianxia Pule Medical Investment Co., Ltd, Beijing Aipu Youlian Investment Management Center (limited Partnership) (hereinafter referred to as the “transferors”) signed the *Equity Transfer Agreement of IPE Biotechnology Co., Ltd.*, the company acquired 34.66% shares of IPE Biotechnology Co., Ltd. from the transferor. Upon completion of the acquisition, the company holds 91.66% of the equity of IPE Biotechnology Co., Ltd.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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2019

	<b>Shenzhen Creative Industry Co., Ltd.</b>	<b>Shanghai Yocaly Health Management Co., Ltd.</b>
Acquisition cost/consideration for disposal		
— Cash . . . . .	58,000,000.00	
— Fair value of non-cash assets. . . . .		396,159,080.21
Total acquisition cost/consideration for disposal . . . . .	58,000,000.00	396,159,080.21
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed . .	31,376,791.45	354,266,841.55
Differences . . . . .	26,623,208.55	41,892,238.66
Including: Adjustment to capital reserve . . . . .	26,623,208.55	3,796,606.21
Adjustment to surplus reserve . . . . .		38,095,632.45

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (3) *Interests in associates*

### 1. *Significant associates*

Name of associates	Principal place of operations	Place of registration	Nature of business	2021.12.31		2020.12.31		2019.12.31		Accounting treatment for investment in joint ventures or associates	Whether or not being strategic to the Company's activities
				Proportion of shareholding (%)	Direct	Indirect	Proportion of shareholding (%)	Direct	Indirect		
Beijing QS Medical Technology Co., Ltd. . .	Beijing	Beijing	Manufacturing industry	18.18	18.18		20.20	20.20		Equity method	
Sichuan Rekind Medtec Inc. . . . .	Chengdu	Chengdu	Technology development	18.00	18.00		18.00	18.00		Equity method	
Lepu Biopharma Co., Ltd. . . . .	Shanghai	Shanghai	Technology development	14.71	14.71		15.10	20.00	20.00	Equity method	
Waterstone Pharmaceuticals Inc. . .	Wuhan	Cayman	Pharmaceutical R&D and Sales					25.00		Equity method	
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	Beijing	Beijing	Trading					42.11		Equity method	

#### *Notes:*

- 1) The Company has significant influence on the financial and operational decisions of Beijing QS Medical Technology Co., Ltd. by appointing a director into its board of director.
- 2) The Company holds 18% equity of Sichuan Rekind Medtec Inc and has significant influence on its financial and operating decisions by appointing a director to Sichuan Rekind Medtec Inc.
- 3) The Company, as the second largest shareholder of Lepu Biopharma Co., Ltd, has the same actual controller and chairman of the board of directors with Lepu Biopharma Co., Ltd., which has significant influence on its financial and operating decisions.

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2. Key financial information on significant associates

31 December 2021/2021

	Beijing QS Medical Technology Co., Ltd.	Lepu Biopharma Co., Ltd.	Sichuan Rekind Medtec Inc.
Current assets . . . . .	49,357,787.60	314,131,509.98	192,421,150.27
Non-current assets . . . . .	30,054,128.57	1,767,929,892.67	295,881,745.31
Total assets . . . . .	79,411,916.17	2,082,061,402.65	488,302,895.58
Current liabilities . . . . .	10,156,733.43	549,056,793.23	39,389,273.21
Non-current liabilities . . . . .		685,921,149.20	6,811,494.87
Total liabilities . . . . .	10,156,733.43	1,234,977,942.43	46,200,768.08
Share of net assets based on percentage of shareholding . . . .	12,590,592.22	123,085,543.37	79,996,093.80
Adjustment matters . . . . .	47,070,110.04		24,345,878.16
— Goodwill . . . . .	47,070,110.04		24,345,878.16
Carrying value of equity investments in associates . . . . .	59,660,702.26	123,085,543.37	104,341,971.96
Operating revenue . . . . .	30,617,640.94	1,138,152.33	258,968,512.07
Net profit . . . . .	-25,310,190.41	-1,018,365,959.27	68,602,184.95
Other comprehensive income . . . .		-11,817.94	
Total comprehensive income . . . .	-25,310,190.41	-1,018,377,777.21	68,602,184.95
Dividends received from associates during the period. . . .			

31 December 2020/2020

	Beijing QS Medical Technology Co., Ltd.	Lepu Biopharma Co., Ltd.	Sichuan Rekind Medtec Inc.
Current assets . . . . .	45,192,451.94	843,349,711.38	171,472,733.64
Non-current assets . . . . .	29,124,918.17	1,534,897,531.20	234,328,045.73
Total assets . . . . .	74,317,370.11	2,378,247,242.58	405,800,779.37
Current liabilities . . . . .	8,177,544.93	368,259,758.69	23,060,807.51
Non-current liabilities . . . . .		506,134,052.83	7,155,555.56
Total liabilities . . . . .	8,177,544.93	874,393,811.52	30,216,363.07
Share of net assets based on percentage of shareholding . . . .	15,535,841.12	222,788,497.20	67,233,712.82
Adjustment matters . . . . .	52,300,122.27		24,345,878.16
— Goodwill . . . . .	52,300,122.27		24,345,878.16
Carrying value of equity investments in associates . . . . .	67,835,963.39	222,788,497.20	91,579,590.98
Operating revenue . . . . .	29,440,121.81	2,045,860.41	214,254,574.26
Net profit . . . . .	-20,485,281.58	-579,866,273.39	64,970,551.41
Net profit from discontinued operations . . . . .			
Other comprehensive income . . . .			
Total comprehensive income . . . .	-20,485,281.58	-579,866,273.39	64,970,551.41
Dividends received from associates during the period. . . .			

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2019/2019

	Beijing Bound-Assegai Technical and Trade Co., Ltd.	Beijing QS Medical Technology Co., Ltd.	Sichuan Rekind Medtec Inc.	Lepu Biopharma Co., Ltd.	Waterstone Pharmaceuticals Inc
Current assets . . . . .	652,711,244.30	66,940,494.25	126,926,173.15	285,412,172.68	68,730,948.81
Non-current assets. . . . .	105,239,247.02	25,467,988.18	213,914,300.92	1,152,634,413.07	195,948,641.14
Total assets. . . . .	757,950,491.32	92,408,482.43	340,840,474.07	1,438,046,585.75	264,679,589.95
Current liabilities . . . . .	603,870,952.47	7,370,536.94	22,219,942.51	729,270,038.62	56,105,667.60
Non-current liabilities. . . . .	26,477,316.52		8,006,666.67	175,808,080.64	39,129,850.00
Total liabilities. . . . .	630,348,268.99	7,370,536.94	30,226,609.18	905,078,119.26	95,235,517.60
Share of net assets based on percentage of shareholding. . . . .	49,550,128.19	19,696,582.87	55,936,613.68	74,226,861.10	48,413,170.09
Adjustment matters . . . . .	-49,550,128.19	52,300,122.27	24,345,878.16		49,474,420.43
— Goodwill . . . . .		52,300,122.27	24,345,878.16		49,474,420.43
— Others. . . . .	-49,550,128.19				
Carrying value of equity investments in associates . . . . .		71,996,705.14	80,282,491.84	74,226,861.10	97,887,590.52
Operating revenue. . . . .	129,778,441.30	47,935,584.64	151,326,739.85	44,905.66	116,341,297.50
Net profit. . . . .	-22,750,482.13	-7,492,784.95	36,436,741.23	-282,675,331.41	-3,485,398.23
Total comprehensive income . . . . .	-22,750,482.13	-7,492,784.95	36,436,741.23	-282,675,331.41	-3,485,398.23
Dividends received from associates during the period . . . . .					

## 3. Summarized financial information of insignificant joint ventures and associates

	31 December 2021/2021	31 December 2020/2020	31 December 2019/2019
Associates:			
Total carrying value of investments . . . . .	588,529,866.92	594,238,165.47	190,368,930.83
The following sums calculated in proportion to shareholdings			
— Net profit . . . . .	-3,592,889.56	-20,688,611.17	-6,876,343.90
— Other comprehensive income . . . . .		-73,984.58	
— Total comprehensive income. . . . .	-3,592,889.56	-20,762,595.75	-6,876,343.90

## 4. Excess losses incurred by joint ventures or associates

31 December 2021

Name of joint ventures or associates	Accumulated unrecognized aggregate losses for prior period	Unrecognized loss for current period (or net profit shared for current period)	Accumulated unrecognized losses at the end of the period
Beijing Elacor Technology Co., Ltd. . . . .	-318,630.29	-32,967.59	-351,597.88

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### VIII. Risks related to financial instruments

The Company faces various financial risks in its daily activities, including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The above-mentioned financial risks and the risk management policies of the Company adopted to reduce those risks are as followings:

The Board of Directors is fully responsible for the determination of risk management objectives and policies and assumes final responsibility for risk management objectives and policies, but the Board has authorized the audit department of the Company to design and implement procedures to ensure the effective implementation of risk management objectives and policies. The Board reviews the effectiveness of the implemented procedures and the rationality of the risk management objectives and policies through monthly reports submitted by the finance department director. The Company's internal auditors will also audit risk management policies and procedures and report the findings to the Audit Committee.

The overall goal of the Company's risk management is to formulate risk management policies to minimize risk without excessively affecting the Company's competitiveness and resilience.

#### **1. Credit risk**

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

The Company mainly faces customer credit risks caused by credit sales. Before signing new contract, the Company evaluates the credit risks of new customers, including external credit ratings and bank credit certificates in some cases (when this information is available). The Company sets a credit limit for each customer which is the maximum amount without additional approval.

The Company is through quarterly monitoring of the existing customer credit rating and the monthly reviewing of account receivables aging analysis to ensure that the Company's overall credit risk is within a controllable range. When monitoring customers' credit risks, the Company categorized the credit risks according to the customers' credit characteristics. Customers rated "high risk" are placed on the restricted customer list and can only be sold on credit in the future period with additional approval from the Company, or they must be required to pay in advance.

#### **2. Liquidity risk**

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

It is the company's policy that ensuring sufficient cash is available to meet maturing debt obligations. The liquidity risk is under the central control of the finance department of the Company. The finance department ensures that the Company has sufficient funds to repay the debt under all reasonable projections by monitoring cash balances, marketable securities that can be readily liquidated and rolling forecasts of cash flows over the next 12 months.



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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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### 3. *Market risk*

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

#### *(1) Interest rate risk*

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

The interest rate risks of the Company mainly arise from long-term bank borrowings and bonds payable.

On 31 December 2021, if other variables being constant, the borrowing rate calculated at the floating interest rate decreases or increases by 100 basis points, the Company's net profit will decrease or increase by RMB9,071,300 (31 December 2020: decrease or increase by RMB9,454,100; 31 December 2019: decrease or increase by RMB20,892,800).

#### *(2) Exchange rate risk*

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

To the extent possible, the Company matches foreign currency income with foreign currency expenditure to reduce exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency exchange contracts to avoid exchange rate risks. During the reporting period, the relevant control measures include: considering the risk of exchange rate fluctuations and the objective situation of foreign exchange receipt and payment, the Group launched forward and dual-currency deposits with a total amount of USD13.5 million and EUR2.5 million; On 31 December 2021, the outstanding contract amount amounted to USD1 million. In this year's exchange rate fluctuations in the market environment, such deposits played a good role in foreign exchange settlement risk control.

On 31 December 2021, holding all other variables constant, if the RMB appreciates or depreciates by 1% against the US dollar, the Company's net profit will decrease or increase by RMB1,833,800 (31 December 2020: decrease or increase by RMB2,385,400, 31 December 2019: decrease or increase by RMB2,691,700). The management believes that 1% reasonably reflects the reasonable range of possible changes of RMB Yuan against US dollar in the next year.

#### *(3) Other price risk*

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

The Company holds equity investments in other listed companies, and the management believes that the market price risks of these investment activities are acceptable.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## IX. Disclosure of Fair Value

Inputs used in the fair value measurement are divided into three levels:

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities available on the measurement date.

Level 2 inputs refer to inputs that are directly or indirectly observable for the asset or liability other than Level 1 inputs.

Level 3 inputs refer to unobservable inputs of the relevant assets or liabilities.

The level of the measurement result of fair value shall subject to the lowest level which the input that is of great significance to the entire measurement of fair value belongs to.

### *(1) Fair value of assets and liabilities measured at fair value at the end of period*

Item	Fair value at 31/12/2021			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>I. Fair value measurement on a recurring basis</b>				
◆ Receivable financing . . . . .			81,021,515.38	81,021,515.38
◆ Investments in other equity instruments . . . . .	537,655,969.05		971,984,327.36	1,509,640,296.41
◆ Other non-current financial assets . . .	77,340,000.00		16,500,000.00	93,840,000.00
1. Financial assets at fair value through profit or loss . . . . .	77,340,000.00		16,500,000.00	93,840,000.00
(1) Equity instrument investment . . . . .	77,340,000.00		16,500,000.00	93,840,000.00
<b>Total assets measured at fair value on a recurring basis . . . . .</b>	<b>614,995,969.05</b>		<b>1,069,505,842.74</b>	<b>1,684,501,811.79</b>

Item	Fair value at 31/12/2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>I. Fair value measurement on a recurring basis</b>				
◆ Trading financial assets . . . . .		20,628,580.82		20,628,580.82
1. Financial assets designated at fair value through profit or loss . . . .		20,628,580.82		20,628,580.82
(1) Bank financing. . . . .		20,628,580.82		20,628,580.82
◆ Receivable financing . . . . .			94,902,622.37	94,902,622.37
◆ Investments in other equity instruments . . . . .			1,652,066,405.57	1,652,066,405.57
◆ Other non-current financial assets . . .	800,538,100.00		6,500,000.00	807,038,100.00
1. Financial assets designated at fair value through profit or loss . . . .	800,538,100.00		6,500,000.00	807,038,100.00
(1) Investments in other equity instruments . . . . .	800,538,100.00		6,500,000.00	807,038,100.00

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Fair value at 31/12/2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>Total assets measured at fair value on a recurring basis</b> . . . . .	800,538,100.00	20,628,580.82	1,753,469,027.94	2,574,635,708.76
◆ Trading financial liabilities . . . . .		329,740.12		329,740.12
1. Trading financial liabilities. . . . .		329,740.12		329,740.12
(1) Others. . . . .		329,740.12		329,740.12
<b>Total liabilities measured at fair value on a recurring basis</b> . . . . .		329,740.12		329,740.12

Item	Fair value at 31/12/2019			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
<b>I. Fair value measurement on a recurring basis</b>				
◆ Investments in other equity instruments . . . . .	258,756,980.89			258,756,980.89
◆ Other non-current financial assets . . . . .	349,532,110.00			349,532,110.00
1. Financial assets designated at fair value through profit or loss . . . . .	349,532,110.00			349,532,110.00
(1) Equity instrument investment . . . . .	349,532,110.00			349,532,110.00
<b>Total assets measured at fair value on a recurring basis</b> . . . . .	608,289,090.89			608,289,090.89

**(2) Valuation techniques and qualitative and quantitative information of important parameters for recurring and non-recurring level 3 fair value items measurement items**

The Company determines the market value of the recurring and non-recurring level 1 fair value measurement items based on the quotations in the active market at the end of the equity instrument held by the Company.

**(3) Reconciliation between the carrying value of opening and closing balance, and sensitivity analysis of unobservable parameters for recurring level 3 fair value measurement items**

The Company's investment in equity instruments is measured at fair value. However, in limited cases, if the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value within this distribution, the cost may represent its appropriate estimate of fair value within such distribution.

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## **X. Related parties and related-parties transaction**

### **(1) Controlling shareholder and ultimate controller**

The ultimate controller of the Company is Mr. Pu Zhongjie.

### **(2) Subsidiaries of the Company**

Please refer to Note “VII. Equity in other entities” for details of the subsidiaries of the Company.

### **(3) Joint ventures and associates of the Company**

For details of significant joint ventures or associates of the Company, please refer to Note “VII. Equity in other entities” under this section.

Other joint ventures and associates that conducted related party transactions with the Company during the reporting period or have balance of related-party transactions with the Company for the previous periods are as follows:

Name of joint ventures and associates	Relationship with the Company
Beijing Qs Medical Technology Co., Ltd. . . . .	Significantly influenced by the Company
Beijing Purun Medical Instrument Co., Ltd . . .	Significantly influenced by the Company
Aortec Medical Technology Co., Ltd. . . . . .	Significantly influenced by the Company
Beijing Ampel Technology Co., Ltd . . . . . .	Significantly influenced by the Company
Lepu Biopharma Co., Ltd. . . . . . . . . . . .	Significantly influenced by the Company
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . . . . . . . . .	Significantly influenced by the Company
Beijing Elacor Technology Co., Ltd. . . . . . .	Significantly influenced by the Company
Beijing Zhongan Yisheng Medical Technology Co., Ltd . . . . . . . . . . .	Significantly influenced by the Company
Ningbo Jinyi Investment Management Center (Limited partnership) . . . . . . . . . . .	Significantly influenced by the Company
Ningbo Hengsheng Hengrui Investment Management Center (Limited partnership) . .	Significantly influenced by the Company
Ningbo Kaisheng Investment Management Center (Limited partnership) . . . . . . . . . . .	Significantly influenced by the Company
Ningbo Meitong Investment Management Center (Limited partnership) . . . . . . . . . . .	Significantly influenced by the Company
Beijing Highthink Pharmaceutical Technology Service Co., Ltd. . . . . . . . . . . .	Significantly influenced by the Company
Tianjin Walkman Biomaterial Co., Ltd. . . . . .	Significantly influenced by the Company
Shenzhen Bone Medical Devices Co., Ltd. . . .	Significantly influenced by the Company
Xiaan Chaoqian Intelligent Technology Co., Ltd . . . . . . . . . . .	Significantly influenced by the Company
Taizhou Hanzhong Biomedical Co., Ltd. . . . .	Its parent company significantly influenced by the Company
Taizhou Houdeoke Technology Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Lepu(Beijing) Biopharma Co., Ltd . . . . . . .	Its parent company significantly influenced by the Company

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Name of joint ventures and associates	Relationship with the Company
Yinchuan Shenli Science & Trade Co., Ltd . . .	Its parent company significantly influenced by the Company
Beijing Top-Art Biological Technology Co., Ltd. . . . .	Its parent company significantly influenced by the Company
Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Xinxiang Ya Shi Jie Medical Laboratory (limited partnership) . . . . .	Its parent company significantly influenced by the Company
Shenyang Xinya Biotechnology Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Shenyang Lanya Biotechnology Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Beijing Ya Lian Ya Shi Jie Trade Co., Ltd . . .	Its parent company significantly influenced by the Company
Chengdu Mudaoer Precision Molding Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Chengdu OCI Medical Devices Co., Ltd . . . . .	Its parent company significantly influenced by the Company
Waterstone Pharmaceuticals (Hubei) Co., Ltd. .	Its parent company significantly influenced by the Company
Shanghai Miracogen Inc. . . . .	Its parent company significantly influenced by the Company
Concept To Medicine Biotech Co., Ltd. . . . .	Its parent company significantly influenced by the Company

### **(4) Other related parties**

Name of other related parties	Relationship with the Company
Luoyang Ship Material Research Institute . . . .	Shareholder
WP Medical Technologies, Inc . . . . .	Shareholder
CSIC Science And Technology Investment Development Co., Ltd. . . . .	Shareholder
Beijing Pufeng Medical Management Co., Ltd . . . . .	A company controlled by a close family member of the actual controller
Beijing Zhongjie Tiangong Medical Technology Co. Ltd . . . . .	A company controlled by a close family member of the actual controller
Beijing Taijie Weiye Technology Co., Ltd . . . .	A company controlled by a close family member of the actual controller



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Related party	Content of related-party transaction	2021	2020	2019
Taizhou Hanzhong Biotechnology Co., Ltd. . .	Sale of goods	107,679.73	84,247.80	2,112,709.49
Tianjin Walkman Biomaterial Co., Ltd . . . .	Provision of services	53,882.31		
Waterstone Pharmaceuticals (Hubei) Co., Ltd . . . . .	Sale of goods	31,415.93		
Lepu Biopharma Co., Ltd. . .	Sale of goods	23,113.63	906,989.97	87,797.35
Yinchuan Shenli Science & Trade Co., Ltd. . . . .	Sale of goods	19,646.02		
Beijing Purun Medical Technology Co., Ltd . . . .	Sale of goods	15,907.08	1,445,207.58	
Shanghai Miracogen Inc . .	Sale of goods	12,880.00		
Tianjin Walkman Biomaterial Co., Ltd . . . .	Sale of goods	4,905.00		
Lepuchuangyi Biotechnology (Shanghai) Co., Ltd . . . . .	Sale of goods	1,974.40		
Beijing Top-Art Biological Technology Co., Ltd . . . .	Sale of goods		9,476.35	
Beijing Elacor Technology Co., Ltd. . . . .	Sale of goods		858,157.78	

### 2) *Related leases*

As lessor:

Name of lessee	Type of leased assets	Rental income recognized		
		2021	2020	2019
Lepu (Beijing) Biopharma Co., Ltd. . . . .	Equipment Leasing		1,965,339.24	1,745,470.24
Lepu Biopharma Co., Ltd. . .	Property leasing	709,557.90	1,112,504.84	
Yinchuan Shenli Science & Trade Co., Ltd. . . . .	Equipment Leasing			2,256.14
Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd. . . .	Property leasing	3,215,850.48	2,262,912.92	

As lessee: (Old lease criteria apply):

Name of lessor	Type of leased assets	Rental fee recognized	
		2020	2019
Beijing Pufeng Medical Management Co., Ltd. . . . .	Property leasing	1,192,438.80	
Beijing Zhongjie Tiangong Medical Technology Co. Ltd . . . . .	Property leasing	1,365,278.23	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

As lessee: (New lease criteria apply):

Name of lessor	Type of leased assets	Rental costs of short-term leases and leases of low-value assets under simplified treatment and variable lease payments not included in the measurement of lease liabilities
		2021
Beijing Pufeng Medical Management Co., Ltd . . . . .	Property leasing	455,339.13

Name of lessor	Type of leased assets	Rental paid
		2021
Beijing Pufeng Medical Management Co., Ltd . . . . .	Property leasing	455,339.13

### 3) *Related guarantees*

As guarantor:

Entity guaranteed	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	20,000,000.00	07/01/2016	07/01/2019	Yes
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	30,000,000.00	15/08/2016	15/08/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	24,000,000.00	19/06/2018	18/06/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	1,736,000.00	25/09/2018	24/03/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	10,000,000.00	25/06/2019	24/06/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	41,600,000.00	18/07/2018	17/07/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	44,657,160.00	19/09/2018	19/09/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	4,368,000.00	15/01/2019	15/07/2019	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	30,000,000.00	16/08/2018	16/08/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	100,000,000.00	24/02/2018	23/02/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	31/05/2018	30/05/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	15/06/2018	14/06/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	31/07/2018	30/07/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	31/07/2018	30/07/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	80,000,000.00	13/09/2018	12/09/2019	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	20/03/2020	19/03/2021	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	145,000,000.00	08/06/2020	08/06/2021	Yes
Lepu Pharmaceutical Co., Ltd. . . . .	100,000,000.00	26/11/2020	02/10/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	30,000,000.00	14/05/2020	14/05/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	110,000,000.00	10/06/2020	04/06/2021	Yes



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Entity guaranteed	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	50,000,000.00	25/06/2021	20/12/2021	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	14,000,000.00	25/06/2019	24/06/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	20,000,000.00	20/09/2019	10/09/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	30,000,000.00	08/10/2019	10/09/2020	Yes
Zhejiang Lepu Pharmaceutical Co., Ltd. . . . .	10,000,000.00	10/01/2020	14/05/2020	Yes
Lepu Pharmaceutical Co., Ltd. . . .	100,000,000.00	22/04/2019	22/04/2020	Yes
Lepu Pharmaceutical Co., Ltd. . . .	91,908,000.00	09/05/2019	01/04/2020	Yes
Lepu Pharmaceutical Co., Ltd. . . .	100,000,000.00	24/05/2019	24/05/2020	Yes
Lepu Pharmaceutical Co., Ltd. . . .	100,000,000.00	24/09/2019	23/09/2020	Yes

**Notes:**

- 1) As of 31 December 2021, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB500 million. The opening guarantee balance was RMB295 million. The actual guarantee amount in 2021 was RMB0.00, and the guarantee amount due in 2021 was RMB295 million. As of 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB0.00.
- 2) As of 31 December 2021, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB495 million. The opening guarantee balance was RMB140 million, the actual guarantee amount in 2021 was RMB50 million, and the guarantee amount due in 2021 was RMB190 million. As of 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB0.00.
- 3) As of 31 December 2020, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount RMB510 million. The actual guarantee amount in 2020 was RMB150 million, the guarantee amount due in 2020 was RMB74 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB140 million.
- 4) As of 31 December 2020, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd. Limited, with the maximum guarantee amount RMB500 million. The actual guarantee amount in 2020 was RMB295 million, and the guarantee amount due in 2020 was RMB391.908 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB295 million.
- 5) As approved by the shareholders' general meeting, the Company provided joint and several liability guarantee for comprehensive credit with a total amount of no more than RMB150 million to be applied by Beijing Bound-Assegai Technical and Trade Co., Ltd. to commercial banks. Mr. Cao Yongfeng and Mr. Huang Zhiqing, both being the shareholders of Beijing Bound-Assegai Technical and Trade Co., Ltd., provided counter-guarantee for the guarantee provided by the Company by pledging their shares held in Beijing Bound-Assegai Technical and Trade Co., Ltd. with the same guarantee period as the period of the guarantee provided by the Company for Beijing Bound-Assegai Technical and Trade Co., Ltd. The Company had fully performed all guarantee obligations as of 31 December 2019, and repaid the principal and interest of due debts owed by Beijing Bound-Assegai Technical and Trade Co., Ltd. totaling RMB129,805.9 thousand. All the guarantees provided by the Company for Beijing Bound-Assegai Technical and Trade Co., Ltd have been completed. The Company has the right to require Mr. Cao Yongfeng and Mr. Huang Zhiqing to perform their counter-guarantee obligations and may at any time transfer an aggregate of 51.89% equity held by them in Beijing Bound-Assegai Technical and Trade Co., Ltd to itself at nil consideration.
- 6) As of 31 December 2019, the Company provided guarantee for its subsidiary Zhejiang Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount of RMB770 million. The actual guarantee amount provided in 2019 was RMB78,368,000.00, and the guarantee amount due in 2019 was RMB156,361,160.00. As of 31 December 2019, the actual guaranteed loan amount under this guarantee was RMB64 million.
- 7) As of 31 December 2019, the Company provided guarantee for its subsidiary Lepu Pharmaceutical Co., Ltd., with the maximum guarantee amount of RMB900 million. The actual guarantee amount in 2019 was RMB391.908 million, and the guarantee amount due in 2019 was RMB380 million. As of 31 December 2019, the actual guaranteed loan amount under this guarantee was RMB391.908 million.

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As guaranteed party:

Name of guarantor	Amount of guaranteed	Date of commencement of guarantee	Date of expiration of guarantee	Whether fully executed
Lepu Pharmaceutical Co., Ltd . . .	100,000,000.00	2020/5/27	2021/5/27	Yes
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2020/5/28	2021/5/28	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/2/3	2022/2/3	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/3/4	2022/2/3	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/4/7	2022/4/7	No
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2021/5/14	2022/3/17	No
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2021/5/14	2022/5/14	No
Lepu Pharmaceutical Co., Ltd . . .	20,000,000.00	2019/5/13	2020/5/13	Yes
Lepu Pharmaceutical Co., Ltd . . .	150,000,000.00	2019/5/16	2020/4/5	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2019/5/16	2020/5/16	Yes
Lepu Pharmaceutical Co., Ltd . . .	125,000,000.00	2019/5/22	2020/4/5	Yes
Lepu Pharmaceutical Co., Ltd . . .	50,000,000.00	2019/5/22	2020/4/22	Yes

Notes:

- On 31 December 2021, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The opening guarantee balance was RMB120 million, the actual guarantee amount in 2021 was RMB220 million, and the guarantee amount due in 2021 was RMB170 million. On 31 December 2021, the actual guaranteed loan amount under this guarantee was RMB170 million.
- As of 31 December 2020, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The actual guarantee amount in 2020 was RMB120 million, the guarantee amount due in 2020 was RMB375 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB120 million.
- As of 31 December 2020, the Company's subsidiary Lepu Pharmaceutical Co., Ltd. provided guarantee for the Company, with the maximum guarantee amount of RMB400 million. The actual guarantee amount in 2020 was RMB120 million, the guarantee amount due in 2020 was RMB375 million. As of 31 December 2020, the actual guaranteed loan amount under this guarantee was RMB120 million.

## 4) Lending to/borrowing from related parties

2021

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to Xi'an Chaoqian Intelligent Technology Co., Ltd. . . . . .	20,000,000.00	2021/9	2022/9	

2020

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to Beijing Purun Medical Technology Co., Ltd. . . . . .	600,000.00	2020/4/1	2021/4/1	

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2019

Related party	Amount lent	Date of commencement	Date of expiration	Note
Lending to Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	53,527,071.82	2019/1/4	/	

## 5) Compensation of key management personnel

Item	2021	2020	2019
Compensation of key management personnel . .	19,951,521.26	18,298,861.12	24,260,292.15

## (6) Receivables from and payable to related parties

### 1) Receivables

Item	Related party	2021.12.31		2020.12.31		2019.12.31	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable							
	Beijing Purun Medical Technology Co., Ltd. .	8,215,429.47	1,401,225.65	8,207,207.84	618,630.21		
	Xinxiang Ya Shi Jie Medical Laboratory (limited partnership) . .	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40	2,027,715.40
	Chengdu Mudoer Precision Molding Co., Ltd. . . . .	1,162,563.04	5,812.82				
	Chengdu OCI Medical Devices Co., Ltd . . .	63,769.00	318.85				
	Waterstone Pharmaceuticals (Hubei) Co., Ltd. . . .	35,500.00	177.50				
	Tianjin Walkman Biomaterial Co., Ltd. .	4,905.00	24.53				
	Lepu (Beijing) Biopharma Co., Ltd . .			32,060.00	160.30		
	Lepu Hangjia (Shanghai) Business Incubator Management Co., Ltd. . . . .			1,791,618.75	8,958.09		
	Lepu Biopharma Co., Ltd. . . . .			464,525.25	2,322.63		
Prepayments							
	Beijing Hightthink Pharmaceutical Technology Service Co., Ltd. . . . .	5,444,611.00					
	Beijing Qs Medical Technology Co., Ltd. .	930,000.00					
	Chengdu OCI Medical Devices Co., Ltd . . .	895,129.74					

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	Related party	2021.12.31		2020.12.31		2019.12.31	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Non-current assets due within one year	Luoyang Ship Material Research Institute . . .	5,540.00					
	Shenzhen Boen Shenzhen Bone Medical Devices Co., Ltd. . . . .	2,000.00					
	Beijing Purun Medical Technology Co., Ltd. .			1,000,000.00			
	Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	62,173,727.90	62,173,727.90	66,397,867.28	53,906,467.51	84,318,823.52	41,150,385.80
	Beijing Ya Lian Ya Shi Jie trade Co., Ltd . . .	3,270,851.82	3,270,851.82	3,270,851.82	3,270,851.82	4,969,686.82	4,969,686.82
	Beijing Top-Art Biological Technology Co., Ltd. . . . .			863,575.87	863,575.87	3,484,743.19	3,484,743.19
	Shenyang Xinya Biological Technology Co. Ltd . . . . .					7,034,913.05	4,247,893.88
	Shenyang Lanya Biological Technology Co. Ltd . . . . .					277,339.31	277,339.31
	Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21	127,799,293.21
	Xiaan Chaoqian Intelligent Technology Co., Ltd. . . . .	20,185,644.00	100,928.22				
Other receivables	Beijing Ya Lian Ya Shi Jie trade Co., Ltd . . .	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50	2,006,597.50
	Beijing Elacor Technology Co., Ltd. .	648,800.00	648,800.00				
	Beijing Purun Medical Technology Co., Ltd . .	648,502.52	62,399.68	622,707.00	3,113.54		
	Beijing Qs Medical Technology Co., Ltd . .	150,000.00	80,000.00	150,000.00	45,000.00	150,000.00	25,000.00
	Lepu Biopharma Co., Ltd. . . . .					1,949,766.05	9,748.83
	Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .					3,505,967.49	2,070,800.82
	Beijing Tuoya Biotechnology Co., Ltd. . . . .					212,173.86	212,173.86
Interest receivable							

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2) Payable

Item	Related party	2021.12.31	2020.12.31	2019.12.31
Accounts payable				
	Chengdu OCI Medical Devices Co., Ltd . . . . .	8,369,206.20		
	Beijing Taijie Weiye Technology Co., Ltd . . .	1,948,988.79	2,439,116.94	
	Beijing Qs Medical Technology Co., Ltd . . .	432,081.94	521,083.19	3,212,650.00
	Shenzhen Bone Medical Devices Co., Ltd. . . . .	217,635.52		
	Tianjin Walkman Biomaterial Co., Ltd . . .	145,591.29		
	Aortec Medical Technology Co., Ltd . . . . .	100,152.66		
	Beijing Pufeng Medical Management Co., Ltd. . .		631,450.38	
	Beijing Purun Medical Technology Co., Ltd . . .		54,470.78	
Contract liabilities				
	Yinchuan Shenli Science Trade Co., Ltd . . . . .	7,743.38		
Other payable				
	Tianjin Walkman Biomaterial Co., Ltd . . .	987.50		

## XI. Share-based payment

### 1. General situation of share-based payments

- In June 2021, Lepu Medical Technology (Beijing) Co., Ltd had implemented equity incentive plan through Ningbo Jiadu and Ningbo Jiacheng, which were established as the employee shareholdings platforms of Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd. The partnership interest of Ningbo Jiacheng were held by employees of Lepu Medical Technology (Beijing) Co., which conducts accounting treatments of share-based payments as service receiving party; while the partnership interest of Ningbo Jiadu were held by employees of Lepu Sciencetech Medical Technology (Shanghai) Co., and accounting treatments are conducted by Beijing Lepu Medical Technology Co., Ltd. The *Partnership Agreement of Ningbo Jiadu* and *Partnership Agreement of Ningbo Jiacheng* had made specific agreement about internal circulation, withdrawal mechanism, and shareholding management system. According to Partnership Agreement, the trading restricted period of limited partners' interest started from the date of admission as a partner to the expiration of lock-up period of listed shares (namely within 36 months from the date of IPO) for Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd; besides, on condition that Lepu Sciencetech Medical Technology (Shanghai) Co., cannot complete IPO within 2 years from the date of admission as a partner, the trading restricted period becomes 5 years from the date of admission. Based on the current condition, the best estimate of the vesting period run out at 3.83 years. The trading restricted period is regarded as the period of employee service, the share-based payments amount is recognized during the the period of employee service. Employees indirectly obtained the shares of Lepu Sciencetech Medical Technology (Shanghai) Co., through Ningbo Jiadu and Ningbo Jiacheng at the price of RMB3.48 per share in the form of capital increase.

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## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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2. On November 2020, Lepu Medical Technology (Beijing) Co., Ltd. had implemented equity incentive plan through Ningbo Shanhai and Ningbo Xiran, which were established as the employee shareholdings platforms of Beijing Lepu Medical Technology Co., Ltd. The partnership interest of Ningbo Xiran were held by employees of Lepu Medical Technology (Beijing) Co., which conducts accounting treatments of share-based payments as service receiving party as well as other consolidated entity; while the partnership interest of Ningbo Shanhai were held by directors and employees of Beijing Lepu Medical Technology Co., Ltd which conducts accounting treatments of share-based payments as service receiving party. The *Partnership Agreement of Ningbo Shanhai* and *Partnership Agreement of Ningbo Xiran* had made specific agreement about internal circulation, withdrawal mechanism, and shareholding management system. According to Partnership Agreement, the trading restricted period of limited partners' interest started from the date of admission as a partner to the expiration of lock-up period of listed shares (namely within 36 months from the date of IPO) for Beijing Lepu Medical Technology Co., Ltd; besides, on condition that Lepu Sciencetech Medical Technology (Shanghai) Co., cannot complete IPO within 2 years from the date of admission as a partner, the trading restricted period becomes 5 years from the date of admission. Based on the current condition, the best estimate of the vesting period run out at 4.5 years. The trading restricted period is regarded as the period of employee service, the share-based payments amount is recognized during the the period of employee service. Employees indirectly obtained the shares of Beijing Lepu Medical Technology Co., through Ningbo Xiran and Ningbo Shanhai at the price of RMB1.78 per share in the form of capital increase.

Details of the share-based payments as followed:

Item	2021	2020	2019
The amount of various equity instruments awarded during the year . . . .	256,421,050.80	22,358,458.31	
The amount of various equity instruments exercised during the year . . . . .		22,358,458.31	
The amount of various equity instruments forfeited during the year . . . . .			
The range of exercise prices of outstanding share options at the end of year and the contract remaining term. . . . .			
The range of exercise prices of other equity instruments at the end of year and the contract remaining term . . . .	Exercise price: RMB3.48 per share; Contract remaining term: 39 months	Exercise price: RMB1.78 per share; Contract remaining term: 52 months	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2. *The conditions of Equity-settled share-based payment*

1. Employees indirectly obtained the shares of Lepu Sciencetech Medical Technology (Shanghai) Co., through Ningbo Jiadu and Ningbo Jiacheng at the price of RMB3.48 per share in the form of capital increase. Lepu Sciencetech Medical Technology (Shanghai) Co. had engaged Lance Asia (Beijing) Enterprise Management Consulting Co., Ltd to issue *The Valuation report of restricted shares of Lepu Sciencetech Medical Technology (Shanghai) Co., Ltd* (Lance R2021-1015-BJ), which assessed the interest of restricted shareholding as RMB256,478,105.00 with income method at the base date of 16 June 2021, the fair value after the assessment was RMB17.4 per share. Based on the data above, Lepu Sciencetech Medical Technology (Shanghai) Co. recognized the share-based payments as followed:

Items	Amount
The fair value recognition method of the equity instruments at grant date. . . . .	Evaluation report
The recognition method of best available estimate of vesting equity instruments . . . . .	
The reason of significant variance between current and previous period estimate . . . . .	
The expenses recognized as equity-settled share-based payment. . . . .	205,136,840.64
Of which: amount recognized in 2021 . . . . .	40,499,200.15
Amount recognized in 2022 . . . . .	68,051,576.40
Amount recognized in 2023 . . . . .	52,562,535.07
Amount recognized in 2024 . . . . .	38,217,264.65
Amount recognized in 2025 . . . . .	5,806,264.37

2. Employees indirectly obtained the shares of Beijing Lepu Medical Technology Co., through Ningbo Xiran and Ningbo Shanhai at the price of RMB1.78 per share in the form of capital increase. On 10 November 2020, China Tongcheng Asset Appraisal Co., Ltd had issued *The Asset Valuation report of the total shareholders' equity value with the proposed capital increase project* (Tongcheng [2020] 11241), which assessed the interest of shareholders as RMB1,171,654,700.00 with income method at the base date of 30 June 2020, the fair value after the assessment was RMB3.00 per share.

Based on the data above, Beijing Lepu Medical Technology Co. recognized the share-based payments as followed:

Item	Amount
The fair value recognition method of the equity instruments at grant date. . . . .	Evaluation report
The recognition method of best available estimate of vesting equity instruments . . . . .	
The reason of significant variance between current and previous period estimate . . . . .	
The expenses recognized as equity-settled share-based payment. . . . .	27,094,969.68
Of which: amount recognized in 2020 . . . . .	1,009,673.35
Amount recognized in 2021 . . . . .	6,014,948.42
Amount recognized in 2022 . . . . .	6,021,104.38
Amount recognized in 2023 . . . . .	6,021,104.38
Amount recognized in 2024 . . . . .	6,021,104.38
Amount recognized in 2025 . . . . .	2,007,034.77



**XII. Commitments and contingencies*****(1) Significant commitments******1) Significant commitment***

The company planned to invest RMB540 million in Bo'ao Bio-pharmaceutical Co., Ltd. by means of project milestone planning, separate transactions of stock right, so as to eventually obtained 75% interest of Bo'ao Bio-pharmaceutical. Until 31 December 2021, the company had completed capital increase and first and second equity transfer, holding 55% interest of Bo'ao Bio-pharmaceutical which concluded RMB340 million as consideration and fully paid. After reaching consensus, third equity transfer for 20% interest will be achieved at the price of RMB200 million.

***(2) Contingencies***

None.

**XIII. Events after the balance sheet date*****(1) Significant non-adjusting events after the reporting period***

None.

***(2) Profit distribution******1. In 2021***

On 17 May 2022, the Company's 2021 profit distribution scheme has been deliberated and approved at 2021 annual general meeting. The scheme proposed to distribute a cash dividends (tax included) of RMB0.275 per share, involving total number of shares at the equity registration date of the implementation of equity distribution, less the number of shares repurchased. Until the date of this report is authorized, the total cash dividends are expected to be RMB490,078.1 thousand (tax included) concerned with 1,782,102,076 number of equity shares.

***(3) The offering of Global Depositary Receipts ("GDRs")***

In order to meet the needs of the company's business development, and to further enhance the quality of corporate governance and its core competence, the company intends to offer the Global Depositary Receipts(the "GDRs") and apply for the public listing on the Swiss Stock Exchange, the additional issuing of "A share" (RMB common stocks) serves as the fundamental security the offering of GDRs.

On 17 May 2022, the Company's offering of GDRs and listing on the Swiss Stock Exchange scheme has been deliberated and approved at 2021 annual general meeting of the Company. The fundamental security A share of offering GDRs issues 180,458,875 shares at most (including any offering by exercising of over-allotment option), and the total shares issuing will be limited at 10% of the total common stock. The final number of shares to be issued shall be determined based on legal provisions, regulatory agencies and market conditions.



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The offering is subject to the approval of China Securities Regulatory Commission ("CSRC"), Swiss Stock Exchange and other domestic and overseas authorities.

### XIV. Other material events

- (1) On 31 December 2021, Dr. Pu Zhongjie the actual controller of the Company, as well as persons acting in concert, the Actual Controller of the company, held 455,643,349 number of shares with the proportion of 25.25% of total common stock of the Company. Among which, accumulating 154,010,000 shares were under pledge, accounting for 8.53% of the total common stock of the Company and 33.80% of the shares held by Dr. Pu Zhongjie.
- (2) On 26 May 2021, the Company's 2020 Annual General Meeting of Shareholders has deliberated and approved *About Lepu Scientech Medical Technology (Shanghai) Co., Ltd overseas listing conforms to the < Notice on standardizing domestic listing companies' affiliated entity apply for public offering overseas >, Scheme about Lepu Scientech Medical Technology (Shanghai) Co., Ltd Initial Public Offering on Hong Kong Stock Exchange, About submission to General Meeting of Shareholders of authorizing the Board of Directors as well as authorized persons to possess the sole discretion on Lepu Scientech Medical Technology (Shanghai) Co., Ltd Initial Public Offering on Hong Kong Stock Exchange etc*, Lepu Scientech Medical Technology (Shanghai) Co., Ltd., a subsidiary of the Company, intends to Initial Public Offer and list on the main board on the Hong Kong Stock Exchange. Until the date of this report is authorized, equity carve-out project application is received by the China Securities Regulatory Commission ("CSRC"), and had submitted the publication of Application Proof to the Hong Kong Stock Exchange.

In addition to the above events, the Company has no other material events to be disclosed.

### XV. Major notes to the company's financial statements

#### (1) Notes receivables

Notes receivables comprise the following:

Item	2021.12.31	2020.12.31	2019.12.31
Bank acceptance . . . . .	3,050,820.01		22,074,413.67
Total . . . . .	3,050,820.01		22,074,413.67

#### (2) Accounts receivables

##### 1. Ageing analysis of accounts receivables

Aging	2021.12.31	2020.12.31	2019.12.31
Within 1 year . . . . .	146,780,393.55	261,660,384.64	251,989,680.72
1-2 years . . . . .	84,443,994.55	136,020,051.74	126,502,167.10
2-3 years . . . . .	80,132,381.57	98,076,467.29	79,549,897.62
3-4 years . . . . .	39,786,218.32	21,685,585.70	25,688,632.66
4-5 years . . . . .	11,974,779.96	15,109,915.58	4,715,987.81
Above 5 years. . . . .	21,292,102.43	18,912,977.93	22,016,777.20
Subtotal . . . . .	384,409,870.38	551,465,382.88	510,463,143.11
Less:bad debt provision. . . . .	41,181,390.73	46,971,574.39	38,731,593.89
Total . . . . .	343,228,479.65	504,493,808.49	471,731,549.22

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 2. Accounts receivables by bad debt provision method

31 December 2021

Items	Ending balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debt by grouping . . . . .	384,409,870.38	100.00	41,181,390.73	10.71	343,228,479.65
Of which:					
Grouping of expected credit loss . . . . .	177,563,953.51	46.19	41,181,390.73	23.19	136,382,562.78
Grouping of related parties .	206,845,916.87	53.81			206,845,916.87
Total . . . . .	384,409,870.38	100.00	41,181,390.73		343,228,479.65

31 December 2020

Items	Ending balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debt on grouping basis . . . . .	551,465,382.88	100.00	46,971,574.39	8.52	504,493,808.49
Of which:					
Grouping of expected credit loss . . . . .	299,493,632.07	54.31	46,971,574.39	15.68	252,522,057.68
Grouping of related parties .	251,971,750.81	45.69			251,971,750.81
Total . . . . .	551,465,382.88	100.00	46,971,574.39		504,493,808.49

31 December 2019

Items	Ending balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Provision for bad debt on grouping basis . . . . .	510,463,143.11	100.00	38,731,593.89	7.59	471,731,549.22
Of which:					
Grouping of expected credit loss . . . . .	291,812,431.38	57.17	38,731,593.89	13.27	253,080,837.49
Grouping of related parties .	218,650,711.73	42.83			218,650,711.73
Total . . . . .	510,463,143.11	100.00	38,731,593.89		471,731,549.22

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Provision for bad debt on grouping basis:

Items of bad debt provided on grouping basis:

31 December 2021

Aging	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage (%)
Within 1 year . . . . .	68,154,844.08	340,774.25	0.50
1-2 years . . . . .	35,954,670.44	3,595,467.05	10.00
2-3 years . . . . .	20,906,099.78	4,181,219.96	20.00
3-4 years . . . . .	19,281,456.82	5,784,437.06	30.00
4-5 years . . . . .	11,974,779.96	5,987,389.98	50.00
Above 5 years. . . . .	21,292,102.43	21,292,102.43	100.00
Total . . . . .	177,563,953.51	41,181,390.73	

31 December 2020

Aging	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage (%)
Within 1 year . . . . .	136,018,330.05	680,091.69	0.50
1-2 years . . . . .	72,943,034.52	7,294,303.46	10.00
2-3 years . . . . .	36,000,275.59	7,200,055.10	20.00
3-4 years . . . . .	21,685,585.70	6,505,675.71	30.00
4-5 years . . . . .	15,109,915.58	7,554,957.80	50.00
Above 5 years. . . . .	17,736,490.63	17,736,490.63	100.00
Total . . . . .	299,493,632.07	46,971,574.39	

31 December 2019

Name	Ending balance		
	Accounts receivables	Provision for bad debts	Percentage (%)
Ageing basis			
Within 1 year . . . . .	163,683,456.84	818,417.28	0.50
1-2 years . . . . .	52,712,069.14	5,271,206.91	10.00
2-3 years . . . . .	31,112,514.13	6,222,502.83	20.00
3-4 years . . . . .	22,238,857.12	6,671,657.14	30.00
4-5 years . . . . .	4,635,448.84	2,317,724.42	50.00
Above 5 years. . . . .	17,430,085.31	17,430,085.31	100.00
Related-party basis . . . . .	218,650,711.73		
Total . . . . .	510,463,143.11	38,731,593.89	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### 3. Provision, reversal or recovery, and offset or written-off of bad debts during the reporting periods

Items	2018.12.31	Changes in accounting policies	2019.1.1	Amount of changes			2019.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss . . .	42,061,982.38	10,854,852.82	52,916,835.20	6,586,701.13		20,771,942.44	38,731,593.89
Total . . . . .	42,061,982.38	10,854,852.82	52,916,835.20	6,586,701.13		20,771,942.44	38,731,593.89

Items	2019.12.31	Changes in accounting policies	2020.1.1	Amount of changes			2020.12.31
				Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss . . . . .	38,731,593.89		38,731,593.89	15,238,207.91		6,998,227.41	46,971,574.39
Total . . . . .	38,731,593.89		38,731,593.89	15,238,207.91		6,998,227.41	46,971,574.39

Items	2020.12.31	Amount of changes			2021.12.31
		Provision accrued	Recovered or reversed	Offset or written off	
Expected credit loss . . . . .	46,971,574.39	-1,651,659.64		4,138,524.02	41,181,390.73
Total . . . . .	46,971,574.39	-1,651,659.64		4,138,524.02	41,181,390.73

### 4. Accounts receivables actually written off during reporting periods

Items	2021	2020	2019
Accounts receivables written off . . . . .	4,138,524.02	6,998,227.41	20,771,942.44

### 5. Top five accounts receivables by debtors

	2021.12.31			2020.12.31			2019.12.31		
	Accounts receivables	Proportion of total amount (%)	Bad-debt provision	Accounts receivables	Proportion of total amount (%)	Bad-debt provision	Accounts receivables	Proportion of total amount (%)	Bad-debt provision
Total balance of top five debtors . .	192,524,648.91	50.08	2,497,379.50	272,959,368.52	49.50	3,531,043.86	232,061,809.29	45.46	1,049,746.71

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## **(3) Receivable financing**

### **1. Receivable financing**

Item	2021.12.31	2020.12.31	2019.12.31
Notes receivables . . . . .	4,024,270.06	15,087,148.18	
Total . . . . .	4,024,270.06	15,087,148.18	

## **(4) Other receivables**

Item	2021.12.31	2020.12.31	2019.12.31
Interest receivables . . . . .			56,098,054.91
Dividends receivables . . . . .		8,000,000.00	25,800,000.00
Other receivables . . . . .	729,429,377.06	684,122,367.48	1,737,740,290.54
Total . . . . .	729,429,377.06	692,122,367.48	1,819,638,345.45

### **1. Interest receivables**

#### **(1) Interest receivables by category**

Item	2021.12.31	2020.12.31	2019.12.31
Fixed Deposit . . . . .			566,116.94
Lending Funds . . . . .			55,531,937.97
Subtotal . . . . .			56,098,054.91
Less: bad debt provision			
Total . . . . .			56,098,054.91

### **2. Dividends receivables**

#### **(1) Aging analysis of dividends receivables**

Item	2021.12.31	2020.12.31	2019.12.31
Within 1 year . . . . .		8,000,000.00	15,000,000.00
After 1 year . . . . .			10,800,000.00
Subtotal . . . . .		8,000,000.00	25,800,000.00
Less: bad debt provision			
Total . . . . .		8,000,000.00	25,800,000.00

### **3. Other receivables**

#### **(1) Disclosed by aging**

Aging	2021.12.31	2020.12.31	2019.12.31
Within 1 year . . . . .	234,301,260.03	235,882,528.08	900,060,311.78
1-2 years . . . . .	116,139,124.21	331,090,585.28	461,113,861.97
2-3 years . . . . .	331,067,485.28	159,537,942.97	107,060,586.80
3-4 years . . . . .	156,426,345.47	35,836,173.81	275,672,521.22
4-5 years . . . . .	25,347,364.58	40,997,330.61	119,134,973.78
Above 5 years . . . . .	484,814.25	11,339,649.83	6,299,726.27
Subtotal . . . . .	863,766,393.82	814,684,210.58	1,869,341,981.82
Less: bad debt provision . . . . .	134,337,016.76	130,561,843.10	131,601,691.28
Total . . . . .	729,429,377.06	684,122,367.48	1,737,740,290.54

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(2) Other receivables disclosed by bad debt provision method:

31 December 2021

Items	Ending balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis . .	129,805,890.71	15.03	129,805,890.71	100.00	
Provision on grouping basis . . .	733,960,503.11	84.97	4,531,126.05	0.62	729,429,377.06
Of which:					
Grouping of expected credit loss. . . . .	95,950,384.83	11.11	4,531,126.05	4.72	91,419,258.78
Grouping of related parties. . . . .	638,010,118.28	73.86			638,010,118.28
Total . . . . .	863,766,393.82	100.00	134,337,016.76		729,429,377.06

31 December 2020

Items	Ending balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision for individuals . . .	129,805,890.71	15.93	129,805,890.71	100.00	
Provision for bad debt on grouping basis. . . . .	684,878,319.87	84.07	755,952.39	0.11	684,122,367.48
Of which:					
Grouping of expected credit loss. . . . .	47,554,026.87	5.84	755,952.39	1.59	46,798,074.48
Grouping of related parties. . . . .	637,324,293.00	78.23			637,324,293.00
Total . . . . .	814,684,210.58	100.00	130,561,843.10		684,122,367.48

31 December 2019

Items	Ending balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision for individuals . . .	129,805,890.71	6.94	129,805,890.71	100.00	
Provision for bad debt on grouping basis. . . . .	1,739,536,091.11	93.06	1,795,800.57	0.10	1,737,740,290.54
Of which:					
Grouping of expected credit loss. . . . .	26,795,215.61	1.43	1,795,800.57	6.70	24,999,415.04
Grouping of related parties. . . . .	1,712,740,875.50	91.62			1,712,740,875.50
Total . . . . .	1,869,341,981.82	100.00	131,601,691.28		1,737,740,290.54

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Bad debt provision for individuals:

2021.12.31				
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. ....	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd. ....	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total .....	129,805,890.71	129,805,890.71		

  

2020.12.31				
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. ....	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd. ....	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total .....	129,805,890.71	129,805,890.71		

  

2019.12.31				
Items	Ending balance	Bad debt provision	Proportion of provision (%)	Consideration for provision
Beijing Bound-Assegai Technical and Trade Co., Ltd. ....	127,799,293.21	127,799,293.21	100.00	Expected unable to recover
Beijing Yalian Yashijie Technology Trade Co., Ltd. ....	2,006,597.50	2,006,597.50	100.00	Expected unable to recover
Total .....	129,805,890.71	129,805,890.71		

Provision for bad debt on grouping basis:

Items of bad debt provided on grouping basis:

Item	2021.12.31			2020.12.31			2019.12.31		
	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)
Grouping of expected credit loss . . . .	95,950,384.83	4,531,126.05	4.72	47,554,026.87	755,952.39	1.59	26,795,215.61	1,795,800.57	6.70
Grouping of related parties . . . . .	638,010,118.28			637,324,293.00			1,712,740,875.50		
Total. . . . .	733,960,503.11	4,531,126.05		684,878,319.87	755,952.39		1,739,536,091.11	1,795,800.57	

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### (3) Condition of bad debt provision

	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses (No credit impairment occurred)	Lifetime expected credit losses (Credit impairment has occurred)	Total
<b>Bad debt provision</b>				
Balance at 1 January 2019 . . . . .	714,427.66			714,427.66
During period of 2019 . . . . .	-392,685.39		392,685.39	
— Transfer to stage 2 . . . . .				
— Transfer to stage 3 . . . . .	-392,685.39		392,685.39	
— Reverse back stage 2 . . . . .				
— Reverse back stage 1 . . . . .				
Accrual during the period . . . . .	1,474,058.30		129,413,205.32	130,887,263.62
Reverse during the period . . . . .				
Write-off during the period . . . . .				
Cancellation during the period . . . . .				
Other changes . . . . .				
Balance at 31 December 2019 . . . . .	1,795,800.57		129,805,890.71	131,601,691.28

	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses (No credit impairment occurred)	Lifetime expected credit losses (Credit impairment has occurred)	Total
<b>Bad debt provision</b>				
Balance at 31 December 2019 . . . . .	1,795,800.57		129,805,890.71	131,601,691.28
During period of 2020 . . . . .				
— Transfer to stage 2 . . . . .				
— Transfer to stage 3 . . . . .				
— Reverse back stage 2 . . . . .				
— Reverse back stage 1 . . . . .				
Accrual during the period . . . . .				
Reverse during the period . . . . .	1,039,848.18			1,039,848.18
Write-off during the period . . . . .				
Cancellation during the period . . . . .				
Other changes . . . . .				
Balance at 31 December 2020 . . . . .	755,952.39		129,805,890.71	130,561,843.10



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

	Stage 1	Stage 2	Stage 3	
	12-month expected credit losses	Lifetime expected credit losses (No credit impairment occurred)	Lifetime expected credit losses (Credit impairment has occurred)	Total
<b>Bad debt provision</b>				
Balance at 31 December 2019 . . .	755,952.39		129,805,890.71	130,561,843.10
During period of 2021 . . . . .				
— Transfer to stage 2 . . . . .				
— Transfer to stage 3 . . . . .				
— Reverse back stage 2 . . . . .				
— Reverse back stage 1 . . . . .				
Accrual during the period . . . . .	3,775,173.66			3,775,173.66
Reverse during the period . . . . .				
Write-off during the period . . . . .				
Cancellation during the period . . .				
Other changes . . . . .				
Balance at 31 December 2021 . . .	4,531,126.05		129,805,890.71	134,337,016.76

## (4) Bad debt for provision, reverse and recover during reporting period

Items	2018.12.31	Changes in accounting policies	2019.1.1	Amount of changes			2019.12.31
				Accrual	Reverse and recover	Write-off	
Provision on individual basis. . .		392,685.39	392,685.39	129,413,205.32			129,805,890.71
Grouping of expected credit loss . . . . .	714,427.66	-392,685.39	321,742.27	1,474,058.30			1,795,800.57
Total . . . . .	714,427.66		714,427.66	130,887,263.62			131,601,691.28

Items	2019.12.31	Amount of changes			2020.12.31
		Accrual	Reverse and recover	Write-off	
Provision on individual basis . . . .	129,805,890.71				129,805,890.71
Grouping of expected credit loss . .	1,795,800.57		1,039,848.18		755,952.39
Total . . . . .	131,601,691.28		1,039,848.18		130,561,843.10

Items	2020.12.31	Amount of changes			2021.12.31
		Accrual	Reverse and recover	Write-off	
Provision on individual basis . . . .	129,805,890.71				129,805,890.71
Grouping of expected credit loss . .	755,952.39	3,775,173.66			4,531,126.05
Total . . . . .	130,561,843.10	3,775,173.66			134,337,016.76

## (5) Other receivables disclosed by nature of accounts

Nature of accounts	Ending balance		
	2021.12.31	2020.12.31	2019.12.31
Current accounts . . . . .	857,228,790.24	809,984,712.18	1,864,797,171.84
Reserve fund. . . . .	5,322,133.10	3,576,534.18	4,332,358.02
Others . . . . .	1,215,470.48	1,122,964.22	212,451.96
Total . . . . .	863,766,393.82	814,684,210.58	1,869,341,981.82

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## (6) Top five debtors' ending balance of other receivables

	2021.12.31			2020.12.31			2019.12.31		
	Other receivables	Proportion of the total balance (%)	Bad debt provision	Other receivables	Proportion of the total balance (%)	Bad debt provision	Other receivables	Proportion of the total balance (%)	Bad debt provision
Amount of Top five ending balance . . . .	687,918,996.37	79.64	130,799,293.21	605,406,039.35	74.31	127,799,293.21	1,536,925,837.99	82.22	127,799,293.21

## (5) Long-term equity investments

	2021.12.31			2020.12.31			2019.12.31		
Items	Ending balance	Provision for impairment	Carrying value	Ending balance	Provision for impairment	Carrying value	Ending balance	Provision for impairment	Carrying value
Investments in subsidiaries . . . . .	8,493,475,819.32		8,493,475,819.32	8,393,743,089.88		8,393,743,089.88	6,987,601,702.26	9,954,800.00	6,977,646,902.26
Investments in Joint venture and associates . . . . .	907,924,223.93	138,024,410.41	769,899,813.52	773,365,938.27	138,024,410.41	635,341,527.86	460,208,463.68	138,024,410.41	322,184,053.27
Total . . . . .	9,401,400,043.25	138,024,410.41	9,263,375,632.84	9,167,109,028.15	138,024,410.41	9,029,084,617.74	7,447,810,165.94	147,979,210.41	7,299,830,955.53

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## 1. Investments in subsidiaries

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu (Shenzhen) Medical Technology Co., Ltd. . . . .		30,000,000.00		30,000,000.00		
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.. . . . .		337,563,293.88		337,563,293.88		
Beijing Lepu Medical Technology Co., Ltd.. . . . .	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd.. . . . .	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd. . .	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd.. . . . .	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd.. . . . .	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A. . .	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd.. . . . .	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd.. . . . .	36,428,571.43			36,428,571.43		
Beijing Lepu Mingshi Technology Co., Ltd.. . . . .	8,000,000.00		8,000,000.00			
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd.. . . . .	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd.. . . . .	1,665,572,597.31			1,665,572,597.31		
Hainan MSD Pharmaceutical Co., Ltd.. . . . .	17,850,000.00			17,850,000.00	9,954,800.00	9,954,800.00
Yantai Addcare Bio-Tech Limited Company . . . . .	226,283,826.72			226,283,826.72		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu (Shenzhen) Financial Holding Co., Ltd. . . . .	286,000,000.00			286,000,000.00		
Beijing Lepu Growth Investment Management Co., Ltd.. . . . .	550,000.00			550,000.00		
Shenzhen Sonolepu Medical Technology Co., Ltd.. . . . .	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd.. . . . .	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd.. . . . .	800,000,000.00			800,000,000.00		
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.. . . . .	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd..	50,000,000.00			50,000,000.00		
Qingdao Minyi Investment centre LLP . . . . .	67,955,115.00		67,955,115.00			
Beijing Guoyihui Healthcare Technology Co., Ltd.. . . . .	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd.. . . . .	33,000,000.00			33,000,000.00		
Shenzhen Purwell Medical Technology Co., Ltd.. . . . .	12,000,000.00			12,000,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd.. . . . .	63,567,691.02			63,567,691.02		
Lepu Medical Electronics Technology Co., Ltd.. . . . .	230,042,742.25			230,042,742.25		
Shanghai Yocaly Health Management Co., Ltd . . . . .		475,940,146.36		475,940,146.36		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2018.12.31	Increase during the period	Decrease during the period	2019.12.31	Accrual for impairment during the period	Provision for impairment at the end of the period
Lepu Smart Core (Tianjin) Medical Equipment Co., Ltd. . . . .	30,000,000.00		30,000,000.00			
Tianjin Yuhengjia Medical Technology Co., Ltd.. . . . .	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd.. . . . .	56,330,000.00			56,330,000.00		
Total . . . . .	6,250,053,377.02	843,503,440.24	105,955,115.00	6,987,601,702.26	9,954,800.00	9,954,800.00

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Lepu Medical Electronics Technology Co., Ltd. . . . .	230,042,742.25			230,042,742.25		
Lepu (Shenzhen) Medical Technology Co., Ltd.. . . . .	30,000,000.00			30,000,000.00		
IPE Biotechnology Co., Ltd.. . . . .		259,746,108.00		259,746,108.00		
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikang Tongda Medical Devices Co., Ltd) . . . . .		50,000.00		50,000.00		
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd.. . . . .		9,500,000.00		9,500,000.00		
Yantai Addcare Bio- Tech Limited Company . . . . .	226,283,826.72	97,927,083.65		324,210,910.37		
Beijing Lepu Growth Investment Management Co., Ltd.. . . . .	550,000.00	5,800,000.00		6,350,000.00		
Lepu Youkang (Beijing) Pharmaceutical Technology Co., Ltd.. . . . .		10,000,000.00		10,000,000.00		
Lepu International Holdings (Shenzhen) Co., Ltd.. . . . .		3,500,000.00		3,500,000.00		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Yinchuan Lepu Internet Hospital Co., Ltd..		2,000,000.00		2,000,000.00		
Ningbo Bingkun Medical Technology Co., Ltd..		970,410,136.26		970,410,136.26		
Liaoning Bo'ao Bio- pharmaceutical Co., Ltd..	337,563,293.88			337,563,293.88		
Shenzhen Purwell Medical Technology Co., Ltd..	12,000,000.00	5,700,000.00		17,700,000.00		
Beijing Lepu Medical Technology Co., Ltd..	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd..	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd..	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd..	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd..	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A..	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd..	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd..	36,428,571.43			36,428,571.43		
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd..	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd..	1,665,572,597.31			1,665,572,597.31		
Hainan MSD Pharmaceutical Co., Ltd..	7,895,200.00		7,895,200.00			
Lepu (Shenzhen) Financial Holding Co., Ltd..	286,000,000.00			286,000,000.00		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2019.12.31	Increase during the period	Decrease during the period	2020.12.31	Accrual for impairment	Provision for impairment at the end of the period
Shenzhen Sonolepu Medical Technology Co., Ltd. . . . .	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd.. . . . .	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd.. . . . .	800,000,000.00			800,000,000.00		
Anhui High Tech Cardiovascular Hospital Management Co., Ltd.. . . . .	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd.. . . . .	50,000,000.00			50,000,000.00		
Beijing Guoyihui Healthcare Technology Co., Ltd.. . . . .	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd.. . . . .	33,000,000.00			33,000,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd.. . . . .	63,567,691.02			63,567,691.02		
Shaanxi Xingtai Biotechnology Co., Ltd.. . . . .		59,358,059.71		59,358,059.71		
Shanghai Lepu CloudMed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd) . . . . .	475,940,146.36			475,940,146.36		
Tianjin Yuhengjia Medical Technology Co., Ltd.. . . . .	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd.. . . . .	56,330,000.00			56,330,000.00		
Total . . . . .	6,977,646,902.26	1,423,991,387.62	7,895,200.00	8,393,743,089.88		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Lepu (Shenzhen) Medical Technology Co., Ltd. . . . .	30,000,000.00			30,000,000.00		
IPE Biotechnology Co., Ltd.. . . . .	259,746,108.00		259,746,108.00			
Beijing Lepu Precision Medical Technology Co., Ltd. (used name: Beijing Weikang Tongda Medical Devices Co., Ltd) . . . . .	50,000.00	950,000.00		1,000,000.00		
Lepu Ruikang (Shanghai) Intelligent Technology Co., Ltd.. . . . .	9,500,000.00	23,000,000.00		32,500,000.00		
Lepuyoukang (Beijing) Pharmaceutical Technology Co., Ltd.. . . . .	10,000,000.00	5,500,000.00		15,500,000.00		
Lepu International Holdings (Shenzhen) Co., Ltd.. . . . .	3,500,000.00			3,500,000.00		
Yinchuan Lepu Internet Hospital Co., Ltd.. .	2,000,000.00			2,000,000.00		
Ningbo Bingkun Medical Technology Co., Ltd.. . . . .	970,410,136.26	21,830,000.00		992,240,136.26		
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd.. . . . .	337,563,293.88			337,563,293.88		
Suzhou Bonsmile Medical Technology Co., Ltd.. . . . .		138,178,603.00		138,178,603.00		
Aonuo (Qingdao) Pharmaceutical Co., Ltd.. . . . .		70,000,000.00		70,000,000.00		
Tibet Tiandome Technology Development Co., Ltd.. . . . .		108,107,172.36		108,107,172.36		
Lepu Qianshi Digital Technology (Shanghai) Co., Ltd.. . . . .		20,000,000.00		20,000,000.00		
Lepu (Shenzhen) Surgical Medical Instrument Co., Ltd.. . . . .		300,000.00		300,000.00		



# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Beijing Lepu Medical Technology Co., Ltd. . . . .	30,000,000.00			30,000,000.00		
Beijing Tiandi Hexie Technology Co., Ltd.. . . . .	45,421,065.51			45,421,065.51		
Shanghai Shape Memory Alloy Material Co., Ltd. . .	162,071,500.00			162,071,500.00		
Beijing Ruixiang Taikang Technology Co., Ltd.. . . . .	21,527,347.79			21,527,347.79		
Beijing Star GK Medical Device Co., Ltd.. . . . .	173,000,000.00			173,000,000.00		
Lepu Medical (Europe) Coöperatief U.A. . .	721,509,647.49			721,509,647.49		
Lepu Pharmaceutical Co., Ltd.. . . . .	1,090,666,543.10			1,090,666,543.10		
Beijing JWJ Science & Technology Development Co., Ltd.. . . . .	36,428,571.43			36,428,571.43		
Beijing Lejian Medical Investment Co., Ltd..	97,425,000.00			97,425,000.00		
Beijing Haihetian Technology Development Co., Ltd.. . . . .	120,651,729.40			120,651,729.40		
Zhejiang Lepu Pharmaceutical Co., Ltd.. . . . .	1,665,572,597.31			1,665,572,597.31		
Yantai Addcare Bio-Tech Limited Company . . . . .	324,210,910.37		324,210,910.37			
Lepu (Shenzhen) Financial Holding Co., Ltd.. . . . .	286,000,000.00			286,000,000.00		
Beijing Lepu Growth Investment Management Co., Ltd.. . . . .	6,350,000.00			6,350,000.00		
Shenzhen Sonolepu Medical Technology Co., Ltd.. . . . .	22,750,000.00			22,750,000.00		
Beijing Lepucare Technology Co., Ltd.. . . . .	65,000,000.00			65,000,000.00		
Lepu Medical (Shenzhen) International Development Center Co., Ltd.. . . . .	800,000,000.00			800,000,000.00		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	2020.12.31	Increase during the period	Decrease during the period	2021.12.31	Accrual for impairment	Provision for impairment at the end of the period
Anhui High Tech Cardiovascular Hospital Management Co., Ltd. . . . .	107,450,000.00			107,450,000.00		
Shenzhen Lepu Intelligent Medical Equipment Co., Ltd..	50,000,000.00			50,000,000.00		
Beijing Guoyihui Healthcare Technology Co., Ltd.. . . . .	2,000,000.00			2,000,000.00		
Beijing Lepu Tongxin Technology Co., Ltd.. . . . .	33,000,000.00			33,000,000.00		
Shenzhen Purwell Medical Technology Co., Ltd.. . . . .	17,700,000.00			17,700,000.00		
Lepu Medical Equipment (Beijing) Co., Ltd.. . . . .	63,567,691.02			63,567,691.02		
Lepu Medical Electronics Technology Co., Ltd.. . . . .	230,042,742.25			230,042,742.25		
Beijing Huaco Healthcare Technologies Co., Ltd.. . . . .		252,906,505.79		252,906,505.79		
Shaanxi Xingtai Biotechnology Co., Ltd.. . . . .	59,358,059.71			59,358,059.71		
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd) . . . . .	475,940,146.36			475,940,146.36		
Tianjin Yuhengjia Medical Technology Co., Ltd.. . . . .	7,000,000.00			7,000,000.00		
Xiangcheng Lepu Hospital Management Co., Ltd.. . . . .	56,330,000.00			56,330,000.00		
Beijing Lepu Gene Technology Co., Ltd.. . . . .		42,917,466.66		42,917,466.66		
Total . . . . .	8,393,743,089.88	683,689,747.81	583,957,018.37	8,493,475,819.32		

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## 2. Investments in Joint Ventures and Associates

Entities	Amount of changes										
	2018.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others	2019.12.31	Provision of impairment at the end of the period
I. Associates											
Beijing Yudingzengcai Manufacturing research Institute Co., Ltd. . . . .		70,000,000.00								70,000,000.00	
Beijing Huaco Healthcare Technologies Co., Ltd. . . . .	3,688,320.42			-915,550.25						2,772,770.17	
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	148,314,837.31			-10,290,426.90				55,382,668.66		138,024,410.41	138,024,410.41
Shenzhen Viatom Technology Co., Ltd. . . . .	33,680,294.15		35,438,365.27	1,758,071.12							
Shaanxi Xingtai Biotechnology Co., Ltd. . . . .	24,026,668.49			-1,121,443.47						22,905,225.02	
Shanghai Lepu Cloudmed Co., Ltd (used name: Shanghai Yocaly Health Management Co., Ltd). . . . .	206,289,926.40		194,701,702.36	-11,588,224.04							

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Amount of changes									
Entities	2018.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others
Beijing Kuaishu'er Medical Technology Co., Ltd. . . . .	73,510,247.70			-1,513,542.56					71,996,705.14
Sichuan Rekind Medtec Inc. . . . .	73,723,740.97			6,558,750.87					80,282,491.84
Liaoning Bo'ao Bio-pharmaceutical Co., Ltd. . . . .	219,246,204.70		217,563,293.88	-1,682,910.82					
Lepu Biopharma Co., Ltd. . . . .	184,894,508.44			-52,499,169.52		-58,168,477.82			74,226,861.10
Subtotal . . . . .	967,374,748.58	70,000,000.00	447,703,361.51	-71,294,445.57		-58,168,477.82		55,382,668.66	138,024,410.41
Total . . . . .	967,374,748.58	70,000,000.00	447,703,361.51	-71,294,445.57		-58,168,477.82		55,382,668.66	138,024,410.41

  

Amount of changes									
Entities	2019.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others
1. Associates									
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	138,024,410.41								138,024,410.41
Sichuan Rekind Medtec Inc. . . . .	80,282,491.84			11,297,099.14					91,579,590.98
Lepu Biopharma Co., Ltd. . . . .	74,226,861.10	90,000,000.00		-138,336,150.85		196,897,786.95			222,788,497.20

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	Amount of changes									
	2019.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others	2020.12.31
Beijing Kuaishu'er Medical Technology . . . . Beijing	71,996,705.14			-4,160,741.75						67,835,963.39
Yudingzengcai Manufacturing research Institute Co., Ltd. . . . .	70,000,000.00			-110,292.28						69,889,707.72
Shaanxi Xingtai Biotechnology Co., Ltd. . . . .	22,905,225.02			-321,965.31					-22,583,259.71	
Beijing Kuaishu'er Medical Technology . . . . Xian Chaoqian Intelligent Technology Co., Ltd. . . . .	2,772,770.17			-1,514,602.38						1,258,167.79
Beijing Haijinge Medicine Technology Co., Ltd. . . . .		50,000,000.00		-1,745,775.15		143,913.79				48,398,138.64
Xinyushi Baoatongda Biotechnology Co., Ltd. . . . .		100,000,000.00		-6,666,215.62		5,474,511.35				98,808,295.73
Beijing Purun Medical Devices Co., Ltd. . . . .				-1,670.71						24,998,329.29
Subtotal . . . . .	460,208,463.68	10,235,294.12		-450,457.00		202,516,212.09			-22,583,259.71	9,784,837.12
Total . . . . .	460,208,463.68	275,235,294.12		-142,010,771.91		202,516,212.09			-22,583,259.71	138,024,410.41
		275,235,294.12		-142,010,771.91		202,516,212.09			-22,583,259.71	138,024,410.41

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	Amount of changes							Provision of impairment at the end of the period		
	2020.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions		Accrual for provision of impairment	Others
I. Associates										
Beijing Yudingzengcai Manufacturing research Institute Co., Ltd. . . . . . . . . . .	69,889,707.72			3,287,120.38		-2,573,468.17				70,603,359.93
Xian Chaoqian Intelligent Technology Co., Ltd. . . . . . . . . . .	48,398,138.64			-2,448,769.57						45,949,369.07
Beijing Haijinge Medicine Technology Co., Ltd. . . . . . . . . . .	98,808,295.73			1,974,104.41		10,721,750.60				111,504,150.74
Xinyushi Baoaotongda Biotechnology Co., Ltd. . . . . . . . . . .	24,998,329.29			-2,349.51						24,995,979.78
Tianjin Walkman Biomaterial Co., Ltd .										

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Entities	Amount of changes										Provision of impairment at the end of the period
	2020.12.31	Additions during the period	Reductions during the period	Investment profit and loss recognized through equity-method	Adjustment for other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distributions	Accrual for provision of impairment	Others	2021.12.31	
Beijing Bound-Assegai Technical and Trade Co., Ltd. . . . .	138,024,410.41									138,024,410.41	138,024,410.41
Beijing Kuaishu'er Medical Technology Co., Ltd. . . . .	67,835,963.39			-4,601,392.62		-3,573,868.51				59,660,702.26	
Sichuan Rekind Medtec Inc. . . . .	91,579,590.98			12,387,175.71						103,966,766.69	
Lepu Biopharma Co., Ltd. . . . .	222,788,497.20			-151,175,742.95	-1,940.44	51,474,729.56				123,085,543.37	
Beijing Purun Medical Devices Co., Ltd. . .	9,784,837.12			679,189.91						10,464,027.03	
Subtotal . . . . .	773,365,938.27	250,040,860.56		-144,846,560.15	-1,940.44	56,049,143.48		-26,683,217.79	-26,683,217.79	907,924,223.93	138,024,410.41
Total . . . . .	773,365,938.27	250,040,860.56		-144,846,560.15	-1,940.44	56,049,143.48		-26,683,217.79	-26,683,217.79	907,924,223.93	138,024,410.41

## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

### (6) Operating revenue and operating cost

#### Breakdown of operating revenue and operating cost

Item	2021		2020		2019	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal business . . .	1,076,343,015.13	336,815,308.31	1,076,122,479.35	343,641,170.33	1,568,764,538.40	268,342,849.45
Other businesses . . . .	135,101,083.03	96,649,541.97	139,046,952.91	79,791,867.30	36,604,966.89	25,989,391.02
Total . . . . .	1,211,444,098.16	433,464,850.28	1,215,169,432.26	423,433,037.63	1,605,369,505.29	294,332,240.47

### (7) Investment income

Item	2021	2020	2019
Income of investment in long-term equity accounted under cost method . . . . .	2,254,400,527.88	492,979,609.75	281,946,672.67
Income of investment in long-term equity accounted under equity method . . . . .	-144,846,560.15	-142,010,771.91	-73,706,711.22
Dividends income acquired during the other equity instruments investment holding period . . . . .	67,132.09		12,427,783.18
Income of investment from disposal of other non-current financial assets . . . . .	-297,809,977.57		70,993,008.72
Income of investment from disposal of investment in long-term equity . . . . .			-1,026,099.62
Total . . . . .	1,811,811,122.25	350,968,837.84	290,634,653.73

## XVI. Supplementary information

### (1) Breakdown of non-recurring gains and losses for the year

Item	2021	2020	2019	Note
Gain or loss on disposal of non-current assets . . . . .	20,190,075.88	3,339,844.87	3,616,790.58	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature . .				
Government grants included in current profit or loss (other than ongoing government grants which are closely related to the Company's normal operation, meet the requirements of government policies and are subject to certain limits and conditions) . . . .	127,707,522.31	121,025,798.36	127,169,553.07	
Capital occupation fee received from non-financial entities included in current profit or loss . . . . .				
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and joint ventures . . . . .				



## AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	2021	2020	2019	Note
Gain or loss on exchange of non-monetary assets . . . . .				
Gain or loss on entrusted investments or assets under management . . . . .				
Provision for impairment on assets due to force majeure events, such as natural disasters . . . . .				
Gain or loss on debt restructuring. . . . .				
Corporate restructuring costs, such as employee redundancy pay and integration costs . . . . .				
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value. . . .				
Net gains or losses of subsidiaries for the current year from the beginning of the period to the date of combination arising from business combination under common control . .				
Gain or loss on other contingencies which are not related to the Company's normal operations . . . . .				
Gain or loss on changes in fair value of financial assets held-for-trading derivative financial assets financial liabilities held-for-trading and derivative financial liabilities, and investment income from disposal of financial assets held-for-trading, derivative financial assets, financial liabilities held-for-trading and derivative financial liabilities and other debt investments, except for effective hedging transactions that are closely related to the Company's normal operation. . . . .	-259,326,425.64	451,634,570.82	245,661,353.90	
Reversal of the provision for impairment of receivables which are tested individually for impairment . . .				
Gains or losses from entrusted loans. . .				
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement. . . . .				
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss . . . . .				
Entrusted fee income from entrusted operations . . . . .				
Other non-operating income and expenses apart from the aforesaid items . . . . .	-55,991,442.48	-23,243,085.91	193,848,569.41	

# AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Item	2021	2020	2019	Note
Other gain or loss items meeting the definition of non-recurring gains or losses . . . . .	36,180,981.07	-76,429,217.32		
Sub-total . . . . .	-131,239,288.86	476,327,910.82	570,296,266.96	
Effect of income tax . . . . .	1,458,020.13	-82,604,889.96	-84,133,861.74	
Effect of minority interests (after tax) . .	-5,835,094.36	-4,681,162.76	-1,638,075.29	
Total . . . . .	-135,616,363.09	389,041,858.10	484,524,329.93	

## (2) Returns on net assets and earnings per share

2021	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company . . . . .	16.00	0.9596	0.9510
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses . . . . .	17.27	1.0353	1.0244

2020	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company . . . . .	21.12	1.0141	1.0141
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses . . . . .	16.56	0.7951	0.7951

2019	Weighted average return on equity (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company . . . . .	25.03	0.9746	0.9746
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gains and losses . . . . .	18.00	0.7009	0.7009

**Lepu Medical Technology (Beijing) Co., Ltd**  
(Seal)  
**15 September 2022**