mindray

2022

ANNUAL REPORT SUMMARY

01 IMPORTANT NOTES

Important Notes

This annual report summary is extracted from the full text of the annual report. Investors who wish to understand the operating results, financial conditions and future development plan of the Company should carefully read the full text of annual report on such media designated by China Securities Regulatory Commission. The Annual Report is written in Chinese. In case of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

All directors of the Company have attended the board meeting to review the report.

PricewaterhouseCoopers Zhong Tian LLP's audit opinions on the annual financial report of the Company are: standard unqualified opinions.

Changes in the accounting firm during the Reporting Period: The Company has not changed the accounting firm, which is still PricewaterhouseCoopers Zhong Tian LLP.

Notice of non-standard audit opinions

☐ Applicable √ Not applicable

The Company was unprofitable when it went public, and it is currently unprofitable

☐ Applicable √ Not applicable

The plan on distribution of dividends on ordinary shares or conversion of equity reserve into share capital of the Company considered by the Board during the Reporting period

√ Applicable ☐ Not applicable

The plan of the Company on the distribution of dividends on ordinary shares which was considered and approved at the Board meeting is as follows: Based on the Company's total share capital of 1,212,441,394 shares as of December 31, 2022, the Company distributes a cash dividend of RMB 45 (tax inclusive) for every 10 shares held. There will be no bonus shares or conversion of capital reserve into share capital of the Company.

The plan of the Company on distribution of dividends on preferred shares in this reporting period which was considered and approved at the Board meeting

☐ Applicable √ Not applicable

02 GENERAL INFORMATION OF THE COMPANY

1. Company Profile

Stock Abbreviation	Mindray	Stock Code	300760
Stock Exchange Which Shares Are Listed	Shenzhen Stock Exchange		
Contacts and Contact Methods	Board Secretary		
Name	Li Wenmei		
Office Address	Floors 1-4, Mindray Building, Keji 12th Road South, High-tech Industrial Park, Nanshan District, Shenzhen City		
Fax	0755-26582680-88398		
Telephone	0755-81888398		
Email	ir@mindray.com		

2. Introduction of Primary Business or Products during the Reporting Period

Over the past three years, thanks to reliable product quality, timely capacity supply, and excellent after-sales service, a significant number of products from the Company's three major business segments have established their presence among new high-end customers both domestically and internationally, leading to a rapid increase in Mindray's influence and visibility. As a provider of both medical device product solutions and IT ecosystem solutions, the Company is committed to supporting the implementation of new healthcare infrastructure buildup plans and keeping up with the needs to address the deficiencies in the domestic and international healthcare systems. The Company's high-quality and cost-effective products will help enhance the diagnosis and treatment capacity of hospitals, while also increasing its penetration into a wider global high-end customer base.

In the future, the Company will keep focusing on the main business and enhance its overall capabilities in various areas, including product R&D and innovation, domestic and international marketing expansion, and the establishment of local platforms. Building on its successes in breaking through new customer groups, the Company will consistently strive to increase its products' market share. In the meantime, the Company will continue to improve internal management quality and operational efficiency, ensuring sustainable and healthy growth in revenue and net profit.

During the Reporting Period, there were no significant changes in the main business of the Company.

During the reporting period

the Company achieved a revenue of RMB

30,365.64 million

representing a year-on-year growth of 20.17%

Total profit recorded RMB

10,953.55 million

representing a year-on-year growth of 21.48%

Net profit attributable to shareholders recorded RMB

9,607.17 million

representing a year-on-year growth of 20.07%

Patient Monitoring & Life Support

Achieved a revenue of RMB

13,401.38 million

With a year-on-year growth of

20.15%

In-Vitro Diagnostics

Achieved a revenue of RMB

10,255.57 million

With a year-on-year growth of

21.39%

Medical Imaging

Achieved a revenue of RMB

6,463.76 million

With a year-on-year growth of

19.14%

(1) Overview of the Company's Main Business and Product Offerings

The Company is principally engaged in the R&D, manufacturing and marketing of medical devices and relevant services. It always follows the orientation of customers' demands and is devoted to providing quality products and services to global medical institutions.

The principal products of the Company mainly cover three areas, namely Patient Monitoring & Life Support (PMLS), In-vitro Diagnostics (IVD), and Medical Imaging Systems (MIS). The Company owns the most complete product lines in its industry in China and meets clinical demands with safe, efficient, and easy-to-use "one-stop" products and IT solutions.

After years of development, the Company has become a world-leading supplier of medical devices and solutions. Headquartered in Shenzhen, China, the Company has 51 international subsidiaries in about 40 countries in North America, Europe, Asia, Africa, Latin America, and other regions as well as 21 subsidiaries and more than 30 branches in China. R&D innovation platforms based on global resource allocation have been established, with ten R&D centers in Shenzhen, Wuhan, Nanjing, Beijing, Xi'an, Chengdu, Silicon Valley, New Jersey, Seattle, and Europe cities, forming a huge global network that integrates R&D, sales and marketing, and services.

During the Reporting Period, the PMLS segment experienced rapid growth, driven by the expansion of new healthcare infrastructure buildup plans in China and the penetration of high-end customers overseas. The growth rate was significantly higher than the previous year. Despite the negative impact of the decline in routine surgeries in China on rigid endoscopic system procurement activities during the Reporting Period, the minimally invasive surgery business continued to achieve rapid growth throughout the year. The sales of rigid endoscopic systems, in particular, saw a growth rate of over 90%. Domestic consumption of IVD reagents was adversely affected by the decline in routine emergency medical treatments, physical examinations, and surgeries. In response, the Company increased the installation of instruments such as hematology analyzer BC-7500, chemiluminescence immunoassay analyzer CL-8000i, biochemistry analyzer BS-2800M, coagulation analyzer CX-9000, and TLA, while also stepping up efforts to penetrate medium and large overseas customer groups. As a result, the IVD segment still achieved rapid growth, with the international market growing by over 35%. Thanks to the rapid ramp-up in sales of high-end ultrasound system R series and mid-to-high-end ultrasound system I series, there has been a comprehensive transformation of the company's customer base both domestically and internationally. This transformation has led to rapid growth in the MIS segment during the Reporting Period, with sales of ultrasound systems surging by over 20%.

1) Patient Monitoring & Life Support

The Company's products include patient monitors, ventilators, defibrillators, anesthesia machines, operating tables, surgical lights, medical supply units, infusion pumps, electrocardiographs, and operating rooms/intensive care units (OR/ICU) complete solutions and a series of other patient monitoring & life support instrument solutions, as well as surgical endoscopic systems, cold light sources, insufflators, optical endoscopes, ultrasonic dissection device, energy platforms, surgical instruments and surgical consumables, and a series of other minimally invasive surgical products.

During the Reporting Period, the PMLS segment recorded a total revenue of RMB 13,401.38 million, representing a YoY increase of 20.15%, with the sales of minimally invasive surgery growing by over 60%. Patient Monitoring & Life Support business experienced a rapid growth, mainly due to the implementation of new healthcare infrastructure buildup plans in China and the breakthrough of high-end customers overseas. The growth rate was significantly accelerating than it was in the previous year. The focus of the new healthcare infrastructure buildup plans in China is on expanding the capacity of large public hospitals. Therefore, procurement demand for medical devices is primarily generated through large projects for hospital-wide use. Mindray boasts highly competitive products, completed solutions for hospital-wide use, intelligent ecosystems that are well-tailored to the needs of new healthcare infrastructure buildup plans and better support for the construction of smart hospitals. Relying on global hospital customer resources, the Company has built a platform for discipline development and talent training to meet the needs of hospitals from new construction to subsequent operation in various aspects, such as equipment management, information construction, talent training, and discipline development. This has enabled the Company to build long-term partnerships with hospitals, leading to a continuous increase in its share of these projects. Although there were some setbacks in project progress, the revenue generated by new healthcare infrastructure buildup plans during the Reporting Period still experienced a significant year-on-year increase, with the PMLS segment benefiting the most. Moreover, with the implementation of more optimized epidemic prevention and control measures in China, the market space for such projects showed significant growth in the fourth quarter. By the end of the Reporting Period, it is indicated that the potential business opportunities of domestic market for new healthcare infrastructure buildup plans exceeded RMB 24.5 billion based on the Company's estimation.This is expected to contribute significantly to the growth of PMLS segment in the next two years. In the overseas market, world-class product competitiveness has enabled the PMLS segment's accelerated penetration into high-end customers. During the Reporting Period, the Company achieved remarkable breakthrough in the U.S. high-end market, driving the rapid growth of the U.S. business. In addition, minimally invasive surgery increased significantly during the Reporting Period, with the sales of rigid endoscopic systems seeing a growth rate of over 90%.

During the Reporting Period, the Company unveiled a range of new products and solutions in the PMLS segment, including the M-Connect IT solution that integrates a general ward solution, a smart first aid solution, and a smart management solution, iStatus 2.0, laparoscopic instruments and consumables, polymer ligation clip, Telemetry patient monitors TMS30 and TMS60 Pro, Non-invasive ventilator SV70, HyBase V8/V6 electric integrated operating tables, HyBase V8 classic operating table, HyLED C series LED surgical light, Infusion/syringe systems BeneFusion i/u series, and the next-generation defibrillators/monitors BeneHeart D series.

As the major products in PMLS segment have become the world lead because of technology improvement, significant progress has been made in penetrating high-end customers and the brand influence has also been greatly enhanced over the past three years, this business segment will continue to leverage its strengths and lead other business segments to better build the Company's image as one of the top players in the global medical device industry.

2) In-vitro Diagnostics

The Company offers a series of products, including chemiluminescence immunoassay (CLIA) analyzers, hematology analyzers, biochemistry analyzers, coagulation analyzers, urine analyzers, microbiology diagnostic systems, etc., and related reagents, which obtain clinical diagnostic information by detecting human samples such as blood, body fluids, and tissues.

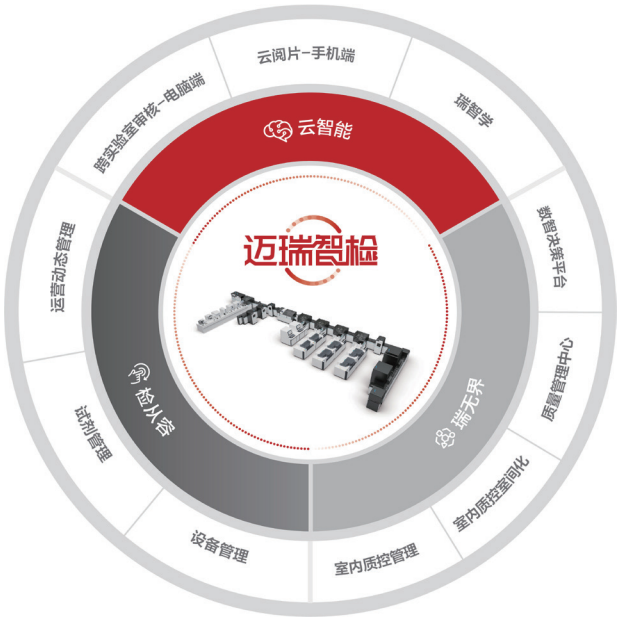
During the Reporting Period, the IVD business achieved a total revenue of RMB 10,255.57 million, representing a YoY increase of 21.39%, with CLIA business growing by nearly 30%. Domestic consumption of IVD reagents was adversely affected by the decline in routine emergency medical treatments, physical examinations, and surgeries. In response, the Company increased the installation of instruments and TLA, while also stepping up efforts to penetrate medium and large overseas customer groups. As a result, the IVD segment still achieved rapid growth. More importantly, the Company has benefited from the development of its local platforms in marketing, logistics supply, manufacturing, clinical support, and IT services in overseas markets over the past few years. The Company's penetration into overseas laboratories with medium and large sample volumes has accelerated dramatically. 2022 also marked the first year of the Company's substantial breakthroughs in overseas independent clinical laboratory for the IVD segment. With the addition of almost 70 independent clinical laboratories customers, the Company's international IVD segment has achieved a growth rate of over 35%. While the domestic IVD reagent consumption was hampered by test volumes declining in the overall market, instruments such as hematology analyzer BC-7500, CLIA analyzer CL-8000i, biochemistry analyzer BS-2800M, coagulation analyzer CX-9000, and the TLA still delivered impressive installation figures. Nearly 2,000 units of BC-7500 were installed, further solidifying our position as the No. 1 industry player in the hematology market. In addition, the proportion of IVD revenue generated by class III hospitals in China has more than doubled in the past four years.

To sustain the high-speed growth of the IVD segment in the future, the Company is increasing its R&D investment in this business segment. Moreover, the Company has launched new "blockbuster" products during the Reporting Period that will provide a solid foundation for the continued growth of the IVD segment. These products include the chemistry and immunoassay integrated system M1000, coagulation analyzer CX-9000 and its supporting reagents, automated biochemistry analyzer BS-600M, automated hematology analyzer BC-760 & BC-760CS, CLIA reagents sCD14-ST and IL-6, fully automated urinalysis line EU8600 and its supporting reagents, the AF-600 automated identification and susceptibility testing system, and the BP200n specific protein analyzer.

In 2021, the Company acquired HyTest Invest Oy and its subsidiaries ("hereinafter referred to as "Hytest"), a globally recognized supplier of IVD antigens and antibodies. This acquisition has enabled the Company to have independent control over core technologies in the field of IVD raw materials. During the Reporting Period, the integration between the Company and the R&D team of HyTest has progressed smoothly. All R&D projects from Hytest have been integrated into the Company's IVD segment for coordinated management. The IVD reagent R&D team of Mindray and the raw material R&D team of HyTest have started working together effectively

and cooperating actively on the R&D of new projects and achievements transformation. Going forward, the Company will increase the investment in R&D and operations of HyTest. Except for expanding the sales and operating teams globally, the Company will significantly increase the size of R&D team and its workplace to ensure that raw materials can meet the needs of the Company's new CLIA products that are going to be developed for the next five years.

As the IVD product line continues to upgrade technologies and innovate its products, the gap between the Company and multinational corporations (MNCs) in this field will narrow further, or even be eliminated. Moreover, the Company is expected to surpass these MNC brands in some clinical applications and features, and gradually evolve into a supplier of IVD product portfolio and IT solutions that can support hospitals setting up standardized laboratories. Over the next few years, the Company will further enhance its competitive edge in the domestic market while strengthening business development and localized platforms in international markets. By doing so, the Company will gradually establish brand influence and achieve sustainable growth.



3) Medical Imaging Systems

The Company offers products including ultrasound diagnostic systems, digital radiography and PACS. For ultrasound diagnostic systems, the Company provides hospitals, clinics, and imaging centers with a full range of high-end and low-end ultrasound diagnostic systems, as well as dedicated solutions tailored to different sub-sectors of clinical specialties covering radiology, obstetrics and gynecology, intervention, emergency, anesthesia, critical care, liver fibrosis, etc. For digital radiography, the Company offers a variety of digital imaging solutions for radiology departments, ICUs, and emergency departments, including mobile, double column, and ceiling-suspended digital imaging solutions.

During the Reporting Period, the MIS segment recorded a total revenue of RMB 6,463.76 million, representing a YoY increase of 19.14%, with ultrasound sales growing by over 20%. Rapid ramp-up in sales of high-end ultrasound system R series and mid-to-high-end ultrasound system I series leading to high-end customer penetration both domestically and internationally, which has driven the rapid growth of MIS segment during the Reporting Period. In the Chinese market, the Company upgraded ultrasound products to advanced levels and introduced them into clinical use on a larger scale in both traditional ultrasound departments and emerging clinical departments. Ultrasound revenue from class II and III hospitals in the overall domestic ultrasound revenue has been increasing year after year, and high-end ultrasound revenue accounted for more than half of domestic ultrasound revenue. Besides, ultrasound revenue was also boosted by subsidized loan projects implemented in the fourth quarter. In the international market, following the launch of the desktop ultrasound I series (powered by the channel data-based ZST+ platform and equipped with powerful processing architecture) and several popular POC ultrasounds, the ultrasound business is shifting the focus from mid-to-low-end customers to high-end customers. In addition, the recovery of international small and medium-sized imaging centers is driving the demand of mid-to-low-end ultrasound products.

During the Reporting Period, the Company launched a host of new products and solutions in the MIS segment. which include

premium ultrasound systems such as the general imaging solution Resona R9 as well as the obstetrics and gynecology solution Nuewa R9, the primary care solutions Consona N9/8/7/6, the wireless handheld ultrasound system TE Air, the TEX20 Premium POC Ultrasound, the ocular ultrasound system Ocular ZS3, the non-invasive diagnostic system for liver diseases Hepatus 6/5, the surgical solution M11, the new floor-mounted DR Digi Eye330/350 series, and the MiCo+ Medical Imaging IT Solution that provides the 5G smart imaging solution for county-level areas in China and the critical care imaging connected solution based on 5G smart terminals.

Moving forward, the Company will continue to prioritize clinical customer needs and develop comprehensive clinical solutions in areas such as obstetrics and gynecology, cardiovascular, anesthesia, and intervention. Furthermore, by accumulating technologies in the field of premium high-end ultrasound, the Company aims to achieve breakthroughs in high-end customer groups at home and abroad and increase the localization rate as well as market share.

Based on the continuously improving core competitive advantages and cost-effectiveness in the Company's product portfolio across its three major business segments, coupled with its ability to provide holistic solutions and intelligent ecosystems for hospital-wide use, the Company has gradually evolved from a supplier of medical devices to a solution provider, who is capable of improving the overall diagnosis and treatment capability of medical institutions.

(2) The Company's Position in the Industry

In the domestic market, the Company's products have gained increasing acceptance in top medical institutions in recent years, and the products sold have fully covered PMLS, IVD and MIS business segments. The Company has also realized holistic and integrated solutions from low-end to high-end modalities and from departments to hospital-wide use. With its completed product solutions and information technology advantages, the Company's products have been widely recognized in large public hospitals, especially in the areas of weaknesses improvement, hospital reconstruction and strategic expansion. As a result, the Company has frequently won bids in many large-scale procurement bidding projects at or above the provincial level.

During the Reporting Period, the Company's products covered nearly 110,000 medical institutions and more than 99% of class III hospitals in China, leading to an constantly increasing market position. The Company's statistics show that the market share for the most products within Patient Monitoring & Life Support, such as monitors, ventilators, defibrillators, anesthesia machines, infusion pumps, surgical lights, operating tables and medical supply units and hematology within in-vitro diagnostics has become the first in China.

In the international market, Mindray has benefited from its long-term market cultivation and brand building over the past 22 years. By introducing the Company's products into top hospitals around the world, such as North America and Western Europe, the Company has honed the best possible products and established a solid customer base and brand influence under the scrutiny of the world's leading customers. In the past three years, with high product quality and perfect service system, the Company has obtained a large number of orders and accelerated breakthroughs in public markets and high-end customers in various countries. While continuously penetrating new high-end customers, the Company has upgraded its customer base level, strengthened customer relationships, established a reliable and high-quality global brand image, and laid a solid foundation for more product penetration in the future. According to the Company's statistics, the market share

of monitors, anesthesia machines, ventilators, and hematology analyzers achieved top three positions in the global market last year.

During the Reporting Period, the Company firmly seized the opportunity, expanding the reach of its monitoring, IVD, ultrasound products and comprehensive solutions into more high-end hospitals, group hospitals and ICLs in the international market. During the Reporting Period, in the field of Patient Monitoring & Life Support, the Company developed more than 300 new high-end customers, and more than 450 existing high-end customers achieved horizontal breakthrough of their product portfolios. In the field of In-vitro Diagnostics, the Company developed nearly 300 new high-end customers, and more than 120 existing high-end customers have achieved horizontal breakthroughs of their product portfolios, including nearly 70 ICLs, marking the first year of achieving large-scale breakthroughs in overseas high-end ICLs for the In-Vitro Diagnostics business. In the field of Medical Imaging Systems, the Company developed more than 80 new high-end customers, and more than 80 existing high-end customers have achieved horizontal breakthroughs of their product portfolios.

In terms of the global market ranking, based on the sales revenue of global medical device companies in 2022, using the most recent fiscal year revenue to the end of 2022 from Wind Financial Terminal, the Company has seen a year-on-year improvement in its global ranking, achieving the 36th, 31st, and 27th positions in 2020, 2021 and 2022 respectively (Note: Large group companies involving diversified businesses only use their sales revenue of medical device business to participate in the ranking). The Company continues to move towards the goal of being one of the top 20 global medical device companies. However, the Company's revenue is only about 10% of the world's No.1 century-old medical device industry giant, indicating that there is still a big gap and room for further development.

As the global economy faces uncertainties and the government's financial burden intensifies, Mindray's cost-effective products are poised to demonstrate more of their advantages, paving the way for better development opportunities in the international market.

While adhering to high standards and quality of its own products, the Company also actively participates in the formulation of industry standards at home and abroad. By complementing shortcomings with strict standards and leading the Company's high-quality development with high standards, it is able to contribute to standardizing and promoting industry growth. By the end of December 2022, Mindray had participated in the formulation and revision of as many as 92 international

standards, national standards, industry standards and group standards, including 2 international standards and 19 national standards, of which more than 70% ranked among the top 3 drafting units. The Company had participated in the formulation and revision of 61 industry standards, with more than 47% of them being led by Mindray as the primary drafting unit and more than 75% of them ranked among the top 3 drafting units. The Company had participated in the formulation and revision of 10 group standards, of which 3 were led by Mindray as the primary drafting unit. Mindray has published a total of 59 standards and is participating the formulation and revision of 33 standards. Five standards have been officially published in 2022, including the national standard *GB9706.204-2022 Medical Electrical Equipment Part 2-4: Particular Requirements for the Basic Safety and Essential Performance of Cardiac Defibrillators,* the national standard *GB/T42061-2022 Medical Devices - Quality Management Systems - Requirements for Regulatory Purpose,* the national standard *GB/T42062-2022 Medical Devices - Application of Risk Management to Medical Devices,* the industry standard *YY/T1837-2022 Medical Electrical Equipment - General Requirements for Reliability* and the industry standard *YY/T1879-2022 Creation and Placement of Unique Device Identifier.* In addition, the 7 standards that the Company participated in the formulation and revision were supported by special funds from the field of standards in Shenzhen.

During the Reporting Period, the Company won the titles of "The 67th Place of 2021 Guangdong Top 100 Private Companies", "2021 Yuehai Street Excellent Co-construction Unit", "2021 Peak TOP 2021 Outstanding Economic Contribution Companies in Nanshan District - Top Ten Industrial Added-Value Companies", "Top 100 Taxpayers in Nanshan District in 2021","2021 Guangdong Excellent Unit for Adverse Event Monitoring", "Eastern and Western Small Animal Clinical Veterinarian Congress - Classic Equipment Brand Award of the Year", and "Diamond Award for Animal Medical Devices at the Fourth China Animal Hospital Management Conference". Moreover, the Company won the "Gold Award for Excellent National Brand ", "Golden Man Award", and "Gold Award for Product Line" at the 12th China Medical Devices Industrial Data Release Conference in 2021, and won the "Gold Award for Excellent National Brand" and "Gold Award for Product Line" at the 13th China Medical Devices Industrial Data Release Conference in 2022. On July 29, 2022, Li Xiting, Chairman of the Company, won the "Meritorious Achievement Award" in China's medical device industry.

During the Reporting Period, the Company remained committed to its high R&D investment, with R&D expenditure reaching RMB 3,190.97 million, representing a YoY increase of 17.06%. The Company continued to enrich its product offerings, upgrade its technologies, and in particular, achieve breakthroughs in high-end products.

The Company attaches great importance to protecting its independent intellectual property rights through patents. As of December 31, 2022, the Company has filed a total of 8,670 patent applications, with 6,193 patents for invention, and a total of 3,976 authorized patents applications, with 1,847 patents for inventions.

(3) Successful Bids for Company Products in Centralized Procurement

1) In-vitro Diagnostics

Since the second half of 2021, the Company has proactively responded to the national centralized procurement policy by undertaking various initiatives. These include active participation in several centralized procurement projects, including Anhui Province's centralized procurements for chemiluminescence immunoassay (CLIA) and coagulation products, the centralized procurements of liver function and biochemical products by 23 provinces, with the Jiangxi Province Healthcare Security Administration leading the way, the centralized procurements for IVD product portfolio in Ningde City and Nanping City of Fujian Province, and the negotiation for the entire IVD product portfolio with the Nanjing Municipal Healthcare Security Bureau. By leveraging its diverse product lines in the IVD segment, the Company has successfully seized the opportunity to accelerate its market share growth by embracing the policy changes.

In August 2021, Anhui Province initiated the centralized procurement of CLIA reagents in public medical institutions. In the bid announcement released in November 2021, the Company won bids for all the projects it participated in. Starting

from the end of 2021 and continuing into 2022, this centralized procurement project has been implemented successively. During the Reporting Period, the Company's CLIA business in Anhui Province has experienced a growth rate of over 85%, achieving an increment of over RMB 100 million in reagent revenue and successfully expanding to 35 previously untapped class III hospitals. The Company's statistics show that the market share of its CLIA business has surged beyond 20%, achieving the goal of being the leading player in the Anhui market.

In September 2021, the Nanjing Municipal Healthcare Security Bureau took the lead in negotiating the comprehensive procurement of medical consumables with the Company, with active participation from the Company's entire IVD product portfolio. During the Reporting Period, the Company's equipment and TLA have been installed into 29 of the top-tier hospitals in Nanjing, with 60% of them being previously untapped customers. As a result, the Company's sales in the IVD segment have more than doubled, with incremental reagent revenue exceeding RMB 12 million. Recently, the Company has continued its negotiations with the Nanjing Municipal Healthcare Security Bureau to expand the scope of the collaboration to 40 large hospitals in Nanjing. It is anticipated that the Company's business in Nanjing will sustain its high-speed growth throughout this year.

In July 2022, the centralized procurement launched by Ningde City and Nanping City of Fujian Province set a precedent for centralized procurement of IVD products in prefecture-level cities. The Company's major IVD products, including CLIA, biochemistry, hematology, and coagulation, have all successfully won their bids, with the centralized procurement by Ningde City expected to generate an annual increase in reagent sales of over RMB 15 million, while the centralized procurement by Nanping City expected to penetrate 12 high-end hospitals and generate an annual increase in reagent sales of over RMB 12 million.

In August 2022, the Jiangxi Province Healthcare Security Administration led and coordinated the centralized procurement of biochemical and liver function reagents across 23 provinces. At present, the reported volumes have been announced. The Company's local market share has approximately doubled before and after the volume reporting. Recently, other provinces within the alliance have started the implementation of this centralized procurement successively. With the launch of the Company's high-end biochemistry analyzer BS-2800M, the growth of its domestic biochemical business is expected to accelerate this year, and the Company predicts a significant increase in revenue generated from class III hospitals in the next few years.

In January 2023, all seven of the Company's coagulation reagent products successfully secured their bids in the centralized procurement of coagulation reagents, laying a solid foundation for the sales of coagulation reagents in Anhui Province.

On March 1, 2023, the National Healthcare Security Administration released *the Circular of the General Office of the National Healthcare Security Administration on the Work Plan of Centralized Pharmaceutical Procurement and Price Management in 2023*. The circular highlighted the importance of further exploring the centralized procurement of IVD reagents in 2023. Anhui Province will take the lead in the inter-provincial alliance procurement for IVD reagents.

The ongoing trend of medical insurance cost control is expected to continue for a long time in the coming years, which is likely to result in the continuation of the centralized procurement of IVD products by inter-provincial centralized procurement alliances, provinces, and municipalities. The Company will continue to proactively respond to changes in the industry landscape, uphold its mission of "Advance

medical technologies to make healthcare more accessible", and actively participate in the centralized procurement process. The Company will collaborate with the National Healthcare Security Administration to ensure the successful implementation of centralized procurement, seize the opportunity to speed up the penetration into top tier hospitals, continuously increase the proportion of revenue generated from class III hospitals, and strive to become a leading player in the IVD field under the new situation.

2) Orthopedics

During the Reporting Period, the Company actively responded to the national volume-based procurement model by participating in centralized procurement organized by the government and inter-provincial alliances, which provided the Company with opportunities for rapid market share expansion. The Company also made continuous efforts to improve its product layout in the orthopedic field, maintained a high level of investment in R&D and innovation, refined its product portfolio, and enhanced its capabilities in surgical solutions.

On February 9, 2022, the Beijing Medical Centralized Purchasing Service Center, the Tianjin Medical Purchasing Center, and the Hebei Province Centralized Purchasing Center for Pharmaceuticals and Medical Devices took the lead and joined forces with the provinces (regions) that had not participated in the centralized procurement of orthopedic trauma medical consumables by 12 provinces, forming a procurement alliance dubbed "Beijing-Tianjin-Hebei 3+N" that spans 16 provinces (regions, municipalities). The alliance was responsible for carrying out centralized procurement of orthopedic trauma medical consumables within its member regions. Moreover, the current centralized procurement is implementing a price linkage scheme with the centralized procurement of orthopedic trauma medical consumables by the alliance of 12 provinces (regions, municipalities). The 12-province alliance was formed in July 2021. In the centralized procurement of orthopedic trauma medical consumables involving 12 provinces (regions, municipalities), the Company managed to win the bids in Group A for all three procurement packages. As a result, even though Mindray's orthopedic business faced relatively weaker performance in the 16 participating provinces (regions, municipalities), the reported volume still reached 57,509 sets. The Company is expected to achieve an 8% share of the industry's total reported volume, positioning itself among one of the leading players in the orthopedic industry.

On July 11, 2022, the State-Organized Joint Procurement Office of High-Value Medical Consumables organized the centralized procurement of orthopedic spine consumables. The Company won the bids in Group A for all three procurement packages that were submitted. Moreover, within the same bidding unit, the Company managed to secure a favorable price edge and a higher procurement volume from medical institutions.

On December 7, 2022, the Jiangsu Province Healthcare Security Administration organized the centralized procurement of orthopedic trauma medical consumables in Jiangsu Province. By diligently organizing and thoughtfully responding, the Company's entire range of submitted products successfully secured bids in the first round. The winning price within the same bidding unit was relatively high, giving the Company a favorable price edge.

Amid significant changes in the industry landscape, Mindray is proactively preparing to emerge as a front-runner in the orthopedic industry under the new situation.

Moving forward, the Company will continue to engage in national-level volume-based procurement and provincial-level alliance volume-based procurement to steadily grow its orthopedic business. In the meantime, it will establish a robust supply chain system, take proactive steps to expand its presence on a global scale, and generate new drivers for the Company's growth.

3. Key Performance Drivers

The Company's continued growth in its main business segments is attributed to several factors, including the acceleration of medical device market expansion through the implementation of new healthcare infrastructure buildup plans and the rapid growth of the medical device industry in both developing countries and domestic markets. Furthermore, the Company's competitive advantages such as R&D, production, and marketing have contributed to its growth. The specific performance drivers include:

(1) New Healthcare Infrastructure Buildup Plans Led by the Expansion of Large Public Hospitals Boosts China's Medical Device Market Expansion

Since 2020, various regions across the country have come to recognize the importance of addressing their healthcare deficiencies and infrastructure buildup. The National Development and Reform Commission and the National Health Commission have successively issued *the Plan for Capacity Building of Public Health Prevention, Control, and Treatment and the Notice on Improving Infection Prevention and Control in Fever Clinics and Medical Institutions,* proposing the modernization of the disease prevention and control system, the enhancement of the treatment capacity of county-level hospitals across the board, and the improvement of the urban infectious disease treatment network. In addition, it is imperative to bolster the construction of ICUs, respiratory, and infection departments, reinforce public health initiatives, make all-out efforts to address deficiencies, fix loopholes, and strengthen areas that are comparatively weaker.

The government stressed the need to promote high-quality development and put forth explicit guidelines on "accelerating the expansion of quality medical resources and achieving balanced regional distribution", including 1) the construction of national medical centers and national regional medical centers; 2) the development and construction of "one hospital with multiple campuses"; 3) the construction of key clinical specialties, which set the expansion of large public hospitals as the focus of new healthcare infrastructure buildup plans. In the meantime, the National Health Commission continues its efforts to deepen healthcare reform. Guided by the performance appraisal of public class II and III hospitals, the goal is to encourage public hospitals to strengthen informatization construction and enhance surgical capacity.

The implementation of new healthcare infrastructure buildup plans will lead to sustained expansion in the medical device market throughout the country, thus the main driver for the procurement of medical devices is the large projects for hospital-wide use, particularly benefiting three major business segments of the Company, with the PMLS segment being the most stimulated.

Mindray, as a leading medical device brand in China, possesses strong product strengths, comprehensive hospital-wide solutions, and intelligent ecosystems, which align well with the requirements of new healthcare infrastructure buildup plans and can provide better support for the establishment of smart hospitals. By the end of 2022, the potential business opportunities for new healthcare infrastructure buildup plans remained over RMB 24.5 billion when viewed from Mindray's accessible market.

On October 27, 2021, the National Health Commission printed and issued the *Work Plan for Improving the Comprehensive Capacity of County Hospitals of the "Thousand Counties Project" (2021-2025).* The work plan explicitly advocated for promoting quality provincial and municipal medical resources weighted toward county-level hospitals, aiming to strengthen the medical service and management capabilities of county hospitals, gradually achieve the integration and sharing of medical resources within the counties, and allow county hospitals to fully unleash their leadership potential in the county healthcare systems and serve as a bridge between urban and rural healthcare systems. By 2025, a minimum of 1,000 county-level hospitals nationwide will progress to become class III hospitals with the requisite capabilities. This advancement will lay a solid foundation for the diagnosis and treatment of non-critical diseases within cities and counties. By the end of the Reporting Period, the "Thousand Counties Project" is expected to generate RMB 10 billion business opportunities when viewed from Mindray's accessible market.

On September 23, 2022, the National Health Commission published the *Circular on Printing and Issuing Recommendations and Reference Materials for the Use of Temporary Loan Interest Subsidies in Equipment Procurement,* further specifying the policy of using temporary loan interest subsidies to upgrade and renovate medical equipment in hospitals. In principle, the policy allows for all medical institutions, whether public or non-public, to use temporary loan interest subsidies to upgrade and renovate medical equipment. This includes the procurement of various types of medical equipment required for diagnosis, treatment, clinical examination, critical care, and rehabilitation, as well as for the transformation of scientific and technological achievements. With hundreds of billions of yuan worth of medical equipment upgrade and renovation needs in the country being unleashed, the loan demand related to the Company's products is projected to exceed RMB 20 billion.

With the ongoing distribution of medical investments and resources to hospitals and medical institutions at the county level and below, there will be an increasing need for enhanced construction efforts, which will result in an extended duration and broader implementation scope for new healthcare infrastructure buildup plans across the country.

(2) Rapid Growth of Medical Device Markets in China and Other Developing Countries, Consistent Expansion in Global Medical Device Market

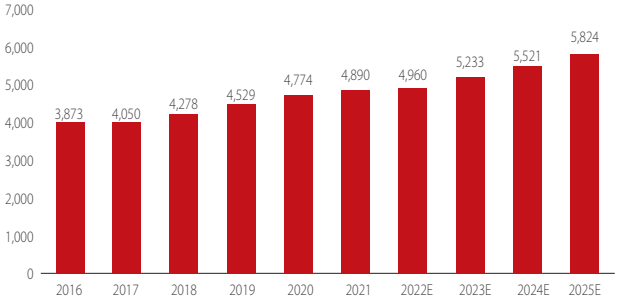
China is a country with a vast population that is experiencing a steady rise in aging demographics. Thanks to rapid economic growth, enhanced public payment capacity, and improved healthcare system, the medical device industry in China has experienced rapid growth, becoming the second-largest market in the world. *The Medical Device Blue Book: Report on China's Medical Device Industry (2022),* which was jointly released by the China Society for Drug Regulation and the Social Sciences Academic Press (China), showed that the medical device industry in China has seen rapid growth, maintaining a compound annual growth rate (CAGR) of 15% or higher. According to Roland Berger, as of 2022, the market size of the medical device industry in China was expected to reach RMB 958.2 billion with a CAGR of approximately 17.5% over the past 7 years, making China the second-largest market in the world after the United States. However, looking at the proportion of per capita consumption of drugs and medical devices (drug-device ratio), the current ratio in China is merely 2.9, revealing a

gap when compared to the global average of 1.4. This indicates that there is significant growth potential for the medical device market in China. The Company's statistics show that the business segments that Mindray has laid out correspond to a domestically accessible market of nearly RMB 100 billion. By contrast, the Company's domestic revenue in 2022 amounted to approximately RMB 18.7 billion, corresponding to a market share of less than 19%. Specifically, the IVD segment had a market share of slightly over 10%, while the minimally invasive surgery market share was a mere 2%.

With the natural growth of the global population and the aging of society, the demand for the healthcare industry is expected to continue increasing. The economic growth in developing countries has also led to an improvement in their residents' spending power that shores up the sustained growth in the global medical device market. According to Fortune Business Insights, the global medical device market size in 2021 was USD 489 billion and is expected to reach USD 496 billion in 2022, with a projected CAGR of 5.5% over the next few years. The estimated size of the medical device market in 2025 is expected to exceed USD 580 billion and rise to approximately USD 719 billion in 2029.

Figure: 2016-2025 Global Medical Device Market Size

(USD 100million)



Source: Evaluate MedTech, Fortune Business Insights

The Company's statistics show that the business segments that Mindray has laid out correspond to an internationally accessible market of over RMB 450 billion. By contrast, the Company's international revenue in 2022 amounted to approximately RMB 11.7 billion, corresponding to a market share in the low single digit. Specifically, the Company predicts the accessible market in overseas developing countries is similar to that in China, at around RMB 100 billion as well. However, the Company only recorded an RMB 7.2 billion revenue in developing countries in 2022, corresponding to a market share of a mere 7%.

The ongoing rapid expansion of the medical device industry in both domestic and emerging markets overseas presents significant promising prospects for the business segments that have been laid out by the Company, particularly in developing countries other than China.

Currently, governments across the world are experiencing increased financial strain, leading to heightened price sensitivity in procurement for both government-led public health projects and private medical groups. This is undoubtedly an important advantageous factor for Mindray, as it excels in areas such as high operational efficiency, cost-effective product offerings, comprehensive product lines, and holistic solutions.

(3) The Company's Competitive Advantages Gained in R&D, Production, Marketing, and Other Areas are Increasingly Evident

The Medical Product Innovation (MPI) system serves as the cornerstone of the Company's independent R&D. During the Reporting Period, customer orientation and concurrent engineering, which are the two core concepts guiding the Company's product innovation activities, have continued to expand and develop in depth, with their meanings becoming even more enriched. On the one hand, the Company continued to deepen its market-driven and customer-oriented mindset, emphasizing the importance of market scanning and customer needs assessment in business planning, product conception, and development. This has enabled the Company to consistently produce premium products that meet the evolving needs of its customers. Meanwhile, the Company remained committed to establishing customer-facing IT management platforms to further improve customer satisfaction, including an equipment management platform based on 5G and IoT, a product solution quotation and ordering platform, and a digital service management platform. On the other hand, the Company focused on carrying out concurrent engineering in the product innovation process, continuously enhancing its product core competitiveness. From the perspective of the entire

business value chain, the Company has improved its activities through design implementations that consider procurement, manufacturing, sales, and service. The Company has taken the needs of various functions into account, including supply chain, manufacturing, marketing, and service, at the beginning of the product design phase, to enhance overall operational efficiency, benefit, and comprehensive competitiveness.

Meanwhile, the Company has incorporated product registration in over 100 countries into its MPI process system and established a cross-system team covering planning, R&D, and regulation. Through strengthening registration demand management, registration regulation platform construction, performance incentives, and IT support, the Company has created an innovative and efficient international registration full life cycle management platform. This platform serves as a direct productivity tool for the Company's international business development and a guarantee for the continuous compliance of products on sale, as well as the rapid entry of new products into the international market.

Besides, the Company has consistently maintained a close synergy between its R&D and production teams, with a focus on the product life cycle management process. During the R&D phase of introducing new products, the Company fully considered the convenience of production and optimized product design to enhance production efficiency and product quality. The Company has been ramping up its manufacturing capacity and improving production management to establish advanced systems for quality management, lean production, and smart manufacturing through vertical integration,

The Company implemented the concept of integrated supply chain transformation, consistently evolving, enhancing, and advancing the S&OP (sales and operations) process, aiming to strike a balance between demand and supply while constantly refining supply chain management.

The Company's patient monitor, ultrasound, and IVD products have consistently obtained CE certification and FDA registration. Among them, Mindray's IVD products have obtained CE certification for the In-Vitro Medical Devices Regulation (IVDR) from TÜV SÜD, a European notified body, making them among the first recipients of such certificates in China. Furthermore, a selection of IVD products, including monitors, defibrillators, infusion pumps, ultrasound, and radiology products, have also obtained CE certification under the EU New Medical Device Regulation (MDR) from relevant notified bodies. The Company upholds a high standard of product quality and has established an efficient smart manufacturing system in line with this commitment. Thanks to the excellent quality management system in place, the Company's products have garnered widespread recognition from downstream customers.

The Company employed 4,017 marketing personnel as of December 31, 2022. The Company has established branches in over 30 provinces, municipalities, and autonomous regions across China and subsidiaries in more than 40 countries worldwide. Its products have reached over 190 countries and regions globally. The Company has formed long-term partnerships with leading medical institutions in countries such as the United States, United Kingdom, Italy, Spain, Germany, and France.

During the Reporting Period, the Company continued to enhance the integration of its domestic and international marketing systems. Firstly, the Company has successfully implemented a globally unified, efficient quotation system, a cost management and evaluation system, and a distributor self-ordering system. These systems, along with comprehensive optimization and iteration of the business opportunity management system, alleviate marketing personnel from time-consuming tasks such as ordering, shipping, and logistics. Secondly, the Company adapted its successful domestic marketing strategy, characterized by "precise market segmentation, deep penetration, and catering to hospital needs", to international marketing initiatives, which involved establishing a multi-dimensional marketing team that closely integrates marketing personnel with clinical customers, enhancing customer stickiness and tapping into more potential clinical and academic requirements. Furthermore, the Company has set up a robust distributor management system and a matrix structure for global marketing. This development has effectively improved the systematization and granularity of

marketing management, significantly enhanced synergy within the organization, spurred rapid team growth, and provided broader prospects for training and communication among team members.

4. Industrial Development

(1) Continued Acceleration of Industrial Development in the Medical Device Sector through Global Implementation of the New Healthcare Infrastructure Buildup Plans

Since 2020, countries around the world have recognized their shortcomings and deficiencies in the prevention and control mechanisms for major infectious diseases and public health emergency management systems.

In China, to improve the screening and treatment capability for infectious diseases, buildup plans of new healthcare infrastructure such as ICU wards, infectious disease hospitals, and fever clinics has been accelerated since March 2020. Investment in healthcare has seen a remarkable rise since 2021. Led by the expansion of large public hospitals, the implementation of new healthcare infrastructure buildup plans has started. These projects are progressively expanding from major metropolitan areas like Beijing, Shanghai, Guangzhou and Shenzhen to other cities. The prevention and control measures were further optimized in late 2022. Since then, multiple documents have been printed and issued, highlighting the need to enhance the construction of medical resources, expedite the process of new healthcare infrastructure buildup, and focus on the task of "addressing deficiencies, fixing loopholes, and strengthening areas that are comparatively weaker".

The implementation of the new healthcare infrastructure buildup plans requires a significant amount of funding, which is mainly sourced from local government special-purpose bonds, hospitals' own funds, and financial support from the central and local governments. In recent years, financing sources of the new healthcare infrastructure buildup plans have become increasingly diversified. In addition to subsidy funds allocated in accordance with annual planning, the continuous introduction of medical special bonds issued by local governments and

temporary loan interest subsidies have provided sufficient funding sources for the implementation of the new healthcare infrastructure buildup plans. According to the *Circular on Printing and Issuing the Program for the Reform of Dividing Fiscal Management Powers and Expenditure Responsibilities Between Central and Local Governments in the Medical and Health Sector,* local finances bear the expenditure responsibility for the reform and development of local medical and health institutions. As the medical and health system reform is being further deepened, the central government will provide subsidies to local governments according to relevant regulations.

Investment in medical special-purpose bonds has seen a significant increase since 2020. Statistics from the Enterprise Early Warning System show that the medical special-purpose budget allocated by local governments was mere RMB 33 billion in 2019, whereas it increased to nearly RMB 285 billion in 2020. In addition, the scale of issuance in 2022 has exceeded RMB 350 billion, accounting for almost 10% of all special-purpose bonds for the year. The *2023 Report on the Work of the Government* proposes allocating RMB 3.8 trillion for special-purpose bonds for local governments in 2023, exceeding the RMB 3.65 trillion target set in 2022. Furthermore, the report encourages more involvement of private capital in the construction of major national projects and projects aimed at addressing deficiencies to stimulate the vitality of private investment. The Company expects the scale of the healthcare special-purpose budget will reach RMB 380 billion in 2023, beginning the ascent to stronger financial security for future development of the medical and health sector.

The central government will allocate subsidy funds every year based on annual planning, including subsidy funds for basic public health services, subsidy funds for comprehensive public hospital reform, and subsidy funds for capacity-building of medical and health institutions. According to a number of circulars issued by the Ministry of Finance in October 2022 regarding the early issuance of the subsidy budget for 2023, the total subsidy funds available for the healthcare sector in 2023 will be up to RMB 96.23 billion. The allocation of the subsidy funds includes RMB 8 billion for comprehensive public hospital reform, RMB 3.986 billion for capacity-building of medical and health institutions, RMB 6.999 billion for the training and development of healthcare professionals, RMB 61.605 billion for primary public health services, and RMB 15.64 billion to support the prevention and control of major infectious diseases. Moreover, the central government has earmarked an investment budget of RMB 26.521 billion for infrastructure construction projects, specifically for the healthcare sector, with the aim of effectively promoting the implementation of 102 major projects during the "14th Five-Year Plan" Period and the *Implementation Plan for Building a High-Quality and Efficient Medical and Health Service System during the "14th Five-Year Plan" Period,* These efforts will continuously facilitate the buildup of *Healthy China*, accelerate the expansion of high-quality medical resources, promote regional balance in the distribution of medical resources, and ultimately provide essential support to meet the growing health needs of the people.

On May 27, 2022, the Ministry of Finance, the National Health Commission, and the National Administration of Disease Control and Prevention issued the subsidy funds budget for improving healthcare services and security (capacity-building of medical and health institutions) for the year 2022. The budget amounted to approximately RMB 5.994 billion, including a total of RMB 2.412 billion in subsidy funds allocated for the classification project of county medical and health institutions. The circular specified that 70% of the subsidy funds issued to each county should be earmarked for county-level public hospitals, with each county supporting one county-level public hospital. The remaining 30% of the subsidy funds should be earmarked for medical and health institutions at the primary level. The capacity-building project of county medical and health institutions offered a subsidy of RMB 4 million per county for key counties for national rural revitalization and for counties in Tibet and Xinjiang that have been lifted out of poverty, while impoverished counties in Tibet and Xinjiang (XPCC included), counties in other provinces that have been lifted out of poverty, and counties with weak healthcare service capacity in the central and western regions received a subsidy of RMB 2 million per county. Priority was given to the construction of county-level hospital infrastructure and the deployment of medical equipment using the funds. Over the next 3 years, a significant number of county-level hospitals across the country will drive

the demand for equipment procurement, providing ongoing benefits to all medical device companies.

On September 23, 2022, the National Health Commission published the *Circular on Printing and Issuing Recommendations and Reference Materials for the Use of Temporary Loan Interest Subsidies in Equipment Procurement,* further specifying the policy of using temporary loan interest subsidies to upgrade and renovate medical equipment in hospitals. In principle, the policy allows for all medical institutions, whether public or non-public, to use temporary loan interest subsidies to upgrade and renovate medical equipment. This includes the procurement of various types of medical equipment required for diagnosis, treatment, clinical examination, critical care, and rehabilitation, as well as for the transformation of scientific and technological achievements. With hundreds of billions of yuan worth of medical equipment upgrade and renovation needs in the country being unleashed, the field of medical equipment is set to usher in a period of unprecedented prosperity.

In March 2023, the Ministry of Finance released the *Report on the Execution of the Central and Local Budgets for 2022 and on the Draft Central and Local Budgets for 2023,* outlining the main revenue and expenditure policies for 2023. China's health budget expenditure for 2023 is projected to be 2,421.1 billion yuan, representing an increase of nearly RMB 167 billion compared to 2022. In terms of healthcare, to support the improvement of medical and health services in 2023, the central government will allocate RMB 170 billion in general transfer payments, including RMB 30 billion of carryover funds produced by accrual accounting for the year 2022, with funding tilted toward county-level governments.

With the advent of the completion wave of hospital construction in early 2023, medical equipment procurement plans have been put on the agenda. In addition, the ongoing implementation of the new healthcare infrastructure buildup plans has spurred a new phase of medical institution expansion, resulting in a growing demand for related medical equipment.

Internationally, the medical and health systems of countries worldwide have faced severe challenges over the past three years. While some European countries have begun to plan and implement measures to address their healthcare system's deficiencies, developing countries have exposed more serious medical shortcomings. There has been a growing recognition of the important role that a robust health system plays in ensuring political and economic stability. Therefore, countries around the world have started to increase investments in their medical infrastructure.

(2) Further Promotion of the High-Quality Development of Public Hospitals Leading to a Surge in Demand for the Procurement of Related Medical Equipments

During the "14th Five-Year Plan" period, China places significant emphasis on promoting the high-quality development of public hospitals. National policies supporting the development of public hospitals have been continuously rolled out since 2021.

On May 27, 2022, to further strengthen quality management in healthcare, regulate clinical diagnosis and treatment practices, and facilitate the standardization and homogenization of healthcare services, the National Health Commission worked with relevant national quality control centers and developed five specialized medical quality control indicators in ultrasound diagnosis, rehabilitation medicine, clinical nutrition, anesthesia, and diagnostic and therapeutic techniques for digestive endoscopy. Medical institutions at all levels and of all types should make full use of applicable medical quality control indicators to carry out quality management and strive to continuously improve the effectiveness and meticulousness of healthcare quality management. All provincial health administrative departments and relevant specialized quality control centers should strengthen training and guidance for medical institutions under their jurisdiction. They should adopt informatization means to collect, analyze, and provide feedback on indicator data, and guide medical institutions in their continuous efforts to improve the quality of medical treatment.

On June 7, 2022, the National Health Commission released the *Circular on the Standardization of Public Hospital Branch Campus Administration* to establish standardized management practices for public hospital branch campuses, with a focus on several areas, including standardizing the establishment of

branch campuses, standardizing the practice management of branch campuses, and improving the unified management mechanism of branch campuses. The establishment of public hospital branch campuses represents a horizontal scaling of high-quality medical resources, increasing the availability of top-notch healthcare services, thereby meeting patients' increasingly diverse demands for healthcare services. Moreover, the exchange of medical information among different campuses requires the support of information platforms. This is expected to generate new opportunities for the growth of medical informatization. The expansion of medical resources has created a promising market outlook for related industries, given the considerable amount of medical equipment procurement that will be involved.

On December 22, 2022, the National Health Commission released the *Operational Manual for the Evaluation Indicators of High-Quality Development of Public Hospitals (Trial Implementation) (2022 Edition)*, with the aim of ensuring a standardized and systematic process for evaluating the high-quality development of public hospitals.

On March 23, 2023, the general offices of the Communist Party of China Central Committee and the State Council jointly printed and issued the *Opinions on Further Improving the Medical and Health Service System,* stressing the importance of promoting the transformation of medical and health development toward more emphasis on intrinsic development, greater systematic continuity in service modes, and more scientific approaches in management. The document also highlighted the need to expand high-quality medical resources and promote regional balance in the distribution of medical resources, as well as build a high-quality and efficient medical and health service system with Chinese characteristics, ultimately creating a greater sense of fulfillment, happiness, and security among the people.

As policy documents are gradually implemented, public hospitals are expected to maintain their dominant position and fulfill higher requirements for their diagnosis and treatment capability, as well as operations management capability. This will further drive the demand for related medical devices and IT information solutions in public hospitals.

At present, the government proposes to establish a performance appraisal system for public hospitals that centers around operational efficiency. Guided by the performance appraisal of public class II and III hospitals, the goal is to accelerate the establishment of a tiered diagnosis and treatment system as well as a modern hospital management system, strengthen informatization construction and enhance surgical capacity.

DRG and DIP are important tools for deepening the reform of payment methods as well as important approaches for promoting and achieving high-quality reform and development of public hospitals. In November 2021, the National Healthcare Security Administration released *the Three-Year Action Plan for the Reform of DRG/DIP Payment Methods (hereinafter referred to as the Three-Year Action Plan),* setting out specific tasks to reform payment methods, with the aim of implementing the reform of diagnosis-related groups (DRG)/diagnosis-intervention packet (DIP) in all basic medical insurance coordination regions of the country by the end of 2024. The DRG/DIP payment is expected to cover all eligible medical institutions that provide inpatient services by the end of 2025, with diseases and medical insurance funds largely achieving full coverage. With the release of the *Three-Year Action Plan,* the reform of medical insurance payment officially enters a phase of rapid development, which in turn will compel hospitals to undertake refined management in order to enhance their endogenous competitiveness.

The centralized volume-based procurement system, as an important step in reforming the pharmaceutical pricing mechanism, is set to become the dominant procurement mode for public hospitals, bringing benefits to our people. The General Office of the State Council issued the *Plan for Universal Healthcare Security during the "14th Five-Year Plan" Period* in September 2021. According to the plan, active efforts will be made to promote the centralized volume-based procurement of drugs and medical consumables during the "14th Five-Year Plan" period. The focus will remain on a selection of drugs and medical consumables with high clinical usage, high procurement price, sufficient market competition, and suitability for centralized volume-based procurement.

In general, the above-mentioned policies, including the

performance appraisal system for public hospitals, DRG/DIP, and centralized volume-based procurement, are expected to enhance the service quality and operational efficiency of hospitals, promote rational utilization of medical insurance funds, and alleviate the financial burden of medical treatment on the people.

(3) At the National Level, Promoting the Expansion of Quality Medical Resources with a Community-Level Focus and Balanced Regional Distribution, Creating New Opportunities for the Development of the Medical Device Industry

The implementation of the "14th Five-Year Plan" has brought forth various policies to shore up the rapid development of medical institutions. This has spurred a surge in the construction of hospitals across the country. The growing demand for constructing new hospitals or expanding and renovating existing ones has driven the development of the medical device industry. Furthermore, the government encourages more quality medical resources to be made available and weighted toward the community level and ensures that they are more evenly distributed among regions. As a result, sinking markets are seeing increasing demand for medical devices, in turn creating greater opportunities for development.

On December 28, 2021, 10 government departments, including the Ministry of Industry and Information Technology, the National Health Commission, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration for Market Regulation, the National Healthcare Security Administration, the National Administration of Traditional Chinese Medicine, the National Medical Products Administration, jointly printed and issued the *Development Plan for the Medical Equipment Sector during the "14th Five-Year Plan" Period* (hereinafter referred to as the *Plan*). The *Plan* is the first national-level industrial development plan for the medical equipment sector, centering on 7 key areas: diagnostic and testing equipment, general treatment equipment, patient monitoring and life support equipment, traditional Chinese medicine diagnosis and treatment equipment, maternal and child health equipment, healthcare and rehabilitation equipment, and active implantable and interventional medical devices. It sets an overall goal to establish preliminary, comprehensive support for public health and healthcare demands within the country by 2025.

On January 10, 2022, 21 government departments including the National Development and Reform Commission jointly printed and issued the *Plan for the Public Service Sector during the "14th Five-Year Plan" Period*, calling for promoting the construction of regional medical centers and the capacity-building of clinical specialties. The principles of "selecting hospitals based on key diseases, selecting regions based on demands, conducting hospital-local government cooperation, and facilitating joint construction between provincial governments and relevant government departments" will be upheld to further facilitate the pilot construction of regional medical centers in areas with limited medical resources. The establishment of top-notch hospital campuses, branches, and "one hospital with multiple campuses" system will help to amplify national top-tier and high-quality medical resources in a targeted manner.

On March 1, 2022, the National Health Commission, along with other 14 government departments, including the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Human Resources and Social Security, and the Ministry of Housing and Urban-Rural Development, jointly printed and issued the *Plan for Healthy Ageing during the "14th Five-Year Plan" Period.* The plan outlined the following clear goals to be achieved by 2025: a more reasonable allocation of health service resources for the elderly, the initial establishment of a comprehensive and continuous health service system that covers both urban and rural areas, and an increase in healthy life expectancy. To accomplish these goals, measures should be rolled out in the following areas: Conduct early screening, intervention, triage management, and health guidance for key chronic diseases prevalent in the elderly population, including hypertension, diabetes, and coronary heart disease, as well as neurodegenerative diseases such as Alzheimer's disease and Parkinson's disease. Facilitate

early screening of high-incidence malignant tumors among the elderly and enhance early diagnosis and treatment of cancer. Facilitate the installation of automated external defibrillators (AEDs) in areas with high concentrations of elderly people.

On May 25, 2022, the General Office of the State Council printed and issued the *Key Tasks to Deepen the Medical and Health System in 2022* (hereinafter referred to as the *Tasks*), detailing the overall requirements, key tasks, and work arrangements for the deepening of the medical reform in 2022. The key tasks include the following: Firstly, accelerate the establishment of a new pattern of seeking medical attention, diagnosis, and treatment in an orderly manner. By leveraging the influential and pioneering role of national medical centers and national regional medical centers and utilizing the leading and driving role of provincial top-notch hospitals, the aim is to enhance the service capability of municipal and county-level hospitals, improve the quality of primary medical and health services, and further promote the tiered diagnosis and treatment system while optimizing the order of patients seeking medical attention. Secondly, further promote the experience of medical reform in Sanming City. Greater efforts should be made to promote the experience of medical reform in Sanming City, including implementing centralized volume-based procurement of drugs and consumables, promoting the reform of the pricing system for medical services, facilitating the reform of payment methods for medical insurance, deepening the reform of public hospital personnel remuneration system, and enhancing comprehensive oversight. Thirdly, focus on enhancing the capacity of public health services. To achieve this, it is necessary to improve the capability of disease prevention and control, strengthen the coordination between medical institutions and specialized public health facilities, and advance the implementation of *the Healthy China* Initiative. Fourthly, promote high-quality medicinal and health development. This can be achieved by promoting comprehensive reform and high-quality development of public hospitals, leveraging government investment as a driving force, facilitating the development of a multi-level healthcare security system, strengthening the ability to ensure drug supply, advancing the revitalization and development of traditional Chinese medicine, and collaboratively pushing forward the reform in related fields.

On June 20, 2022, the Health Commission of Hebei Province released the *Work Plan for the "Top 100 County Hospitals Quality Improvement Action" in Hebei Province (2022-2025),* adding another 35 county hospitals to the 65 county hospitals previously selected by the National Health Commission for the "Thousand Counties Project". Together, these county hospitals will collaborate on tasks aimed at improving the comprehensive capacity of county hospitals in the "Top 100 County Hospitals Quality Improvement Action" in Hebei Province. By 2025, the aim is to have at least 70 county-level hospitals in the province reach the healthcare service capacity level of class III hospitals and be included in the management of class III hospitals based on merit. The work plan also proposed that on top of building relatively independent infectious disease wards in county (city) hospitals, further upgrade medical, inspection, and testing instruments and equipment, to enhance county-level hospitals' capacity for treating infectious diseases. Meanwhile, medical hardware facilities and equipment in hospital specialties such as oncology, neurology, cardiovascular, respiratory, pediatrics, obstetrics and gynecology, intensive care, and emergency units will also undergo comprehensive improvements and any deficiencies will be addressed. This effort is sure to lead more provinces to follow suit. Driven by the "Thousand Counties Project", nearly 2,000 county hospitals across the country will experience another surge in the procurement of both inspection and testing instruments and equipment, as well as medical equipment and consumables related to minimally invasive surgery, such as endoscopic intervention.

On September 26, 2022, the National Health Commission announced that the country would bolster the buildup plans of approximately 120 provincial regional medical centers nationwide during the "14th Five-Year Plan" period, aiming to allocate more high-quality medical resources to the general public and as much as possible, eliminate the need for people to seek medical attention outside their regions. By the end of 2022, most of the planning and distribution of regional medical centers at the provincial level will be completed and the construction of related projects will commence. As part of the new healthcare infrastructure buildup plans in the country, the provincial regional medical center development plans specify objectives, quantities, and directions for the buildups, and

highlight the need for expansion and balanced distribution of quality medical resources, and a focus on addressing intractable, difficult and critical diseases, which will lead to increasing demand for medical equipment procurement.

In February 2023, the general offices of the Communist Party of China Central Committee and the State Council printed and issued the *Opinions on Further Deepening the Reform and Promoting the Healthy Development of the Rural Healthcare System* and published a circular, calling for regions and departments to conscientiously carry out the policies in accordance with local conditions. The aim is to make more quality medical resources available at the county level, ensure a more balanced distribution of these resources among regions, and encourage the emphasis and channeling of quality medical resources toward the community level. Moreover, a high-quality and efficient rural medical and health system should be established to cater to the rural areas' characteristics to ensure that equitable, accessible, systematic, and continuous health services can be provided, and ultimately safeguard people's overall health.

According to the 2023 Report on the Work of the Government, the country will make more quality medical resources available and weighted toward the community level, and ensure a more balanced distribution of medical resources among regions in 2023. China's No. 1 central document for 2023 also stresses the need to coordinate medical and health resources within each county, intensify the capacity-building of medical and health services, as well as healthcare security services at the township and village levels, and improve the capability of infectious disease prevention and control and emergency preparedness and response in rural areas.

On March 16, 2023, the Ministry of Finance published the *Report on the Execution of the Central and Local Budgets for 2022 and on the Draft Central and Local Budgets for 2023*, proposing the tasks of strengthening the capacity of county-level public hospitals to support county medical communities and rural medical centers in improving their service capacity. The report also calls for scaling up disease prevention efforts, taking steady and well-ordered measures to deepen the reform of medical insurance payment methods, and making headway in implementing unified management of basic medical insurance at the provincial level.

(4) Normalized Implementation Phase for Centralized Volume-Based Procurement of Medical Consumables, while Encouraging the Development of Innovative Medical Devices

With a future of intensifying aging population, the core objective of health reform is to reconcile the conflict between limited medical insurance funds and people's pursuit of better medical resources. The key to achieve this objective is to effectively save medical insurance funds while ensuring the quality of healthcare services provided by hospitals is improved. Centralized volume-based procurement (hereinafter referred to as "centralized procurement") is an important measure that deepens health reform and addresses the issue of limited access to medical attention and expensive healthcare services. The country's top leadership continues to issue policies that set out specific requirements and development directions for the centralized procurement of medical consumables, covering various aspects such as centralized drug procurement and centralized high-value consumable procurement.

The *Report on the Work of the Government for the year 2022* proposed that "the government will increase subsidies for basic medical insurance for rural and non-working urban residents by an average of RMB 30 per person and increase subsidies for basic public health services by an average of RMB 5 per person. The unified management of basic medical insurance funds will be advanced at the provincial level. Promote centralized procurement of drugs and high-value medical consumables to ensure both production and supply of these items. Intensify supervision over the quality and safety of drugs and vaccines. Deepen the reform of medical insurance payments under the medical insurance scheme, and enhance the oversight over medical insurance funds."

On March 30, 2022, the General Office of the National Healthcare Security Administration and the National Health Commission jointly released the *Opinions on the National*

Organization of Centralized Volume-Based Procurement of High-Value Medical Consumables (Joint Prostheses) and the Use of Supporting Measures. Once the policy document of the National Healthcare Security Administration on joint prosthesis procurement is implemented, price adjustments for most domestic joint prosthesis products will be completed. In terms of intelligent systems designed to assist surgery procedures, such as "surgical robots", their pricing can be determined based on their actual features and by adding a certain percentage to the project price of the "joint replacement surgery". By doing so, AI medical care, intelligent systems, and other related areas can identify their breakthrough points in pricing, and their business models are expected to make new progress.

On August 24, 2022, the *Reply of the National Healthcare Security Administration to Recommendation No. 8013 of the Fifth Session of the 13th National People's Congress* was released, providing guidance for all regions to promptly include eligible innovative medical consumables into the scope of medical insurance payment and in accordance with established procedures. For the first time, the country has clarified the medical insurance payment method for innovative medical consumables under the medical insurance scheme with this reply. Moreover, the National Healthcare Security Administration pointed out that during the process of centralized procurement, it is up to medical institutions to determine the quantity demanded based on historical usage and by taking clinical use and medical technology advancements into consideration. Medical institutions are also responsible for making informed decisions on the volume ratio based on multiple factors, such as clinical features, market competition pattern, and the number of selected companies, in order to reserve a certain market outside of the centralized procurement, creating space for innovative products to expand their market presence.

On September 3, 2022, the National Healthcare Security Administration released the *Reply of the National Healthcare Security Administration to Recommendation No. 4955 of the Fifth Session of the 13th National People's Congress* to the public, making it clear that the centralized procurement will not cover innovative medical devices due to their immature usage and difficulty in evaluating their amount of usage at present.

On October 12, 2022, the National Healthcare Security Administration released the *Letter to Replying Proposal No. 02866 (Social Management No. 263) of the Fifth Session of the 13th National Committee of the Chinese People's Political Consultative Conference,* pointing out that in accordance with guiding principles set out in relevant documents, the current centralized procurement should focus on covering a selection of medical consumables with high clinical usage, high procurement price, sufficient market competition, and suitability for centralized procurement, in order to bring prices back to a reasonable level through open and transparent competition rules and effectively alleviate the burden on patients. The National Healthcare Security Administration further specified that when establishing reasonable procurement rules for innovative products, such as 3D-printed orthopedic consumables, multiple factors, including the features of their technologies, production costs, usage, and clinical efficacy, should be taken into account. The method of "one product, one strategy" should also be adopted to improve the market-oriented pricing mechanism, facilitate a high-quality development of the medical device industry, and make more affordable innovative products available to our people.

On November 14, 2022, the Jiangxi Province Healthcare Security Administration issued the *Announcement on the Inter-Provincial Alliance Centralized Volume-Based Procurement of Liver Function and Biochemical Test Reagents (No. 1),* officially kicking off the centralized procurement of liver function and biochemical test reagents by 22 provinces and cities, with Jiangxi Province leading the way. As a truly significant volume-based procurement in the in-vitro diagnostics industry, not only in terms of its large scale, but also because it is the first volume-based procurement conducted by a biochemical alliance. Moreover, this centralized procurement has set a guiding

precedent for future centralized procurement in the in-vitro diagnostics industry.

On December 30, 2022, the China National Intellectual Property Administration and the National Healthcare Security Administration jointly printed and issued the *Opinions on Strengthening Intellectual Property Protection in the Field of Centralized Pharmaceutical Procurement,* calling for the prioritization of three aspects, namely, establishing coordination mechanisms, enhancing business collaboration, and ramping up protection measures, to achieve the goal of strengthening the intellectual property protection in the field of centralized pharmaceutical procurement.

On March 1, 2023, the National Healthcare Security Administration released the *Circular of the General Office of the National Healthcare Security Administration on the Work Plan of Centralized Pharmaceutical Procurement and Price Management in 2023,* highlighting the importance of solidly advancing the centralized procurement of medical consumables, as well as further exploring the centralized procurement of in-vitro diagnostics reagents in 2023. Anhui Province will take the lead in the inter-provincial alliance procurement for in-vitro diagnostics reagents.

The core objective of pushing forward centralized procurement at the national level is to reconcile the conflict between limited medical insurance funds and people's pursuit of better medical resources. Centralized procurement facilitates the streamlining and optimization of channels, removal of unnecessary steps in the distribution process, purification of the business environment, and improvement of procurement efficiency, and ultimately benefits both hospitals and our people. Health reform is not intended to reduce healthcare spending. On the contrary, with healthcare investment as a share of GDP and per capita medical resources remaining low, the country is more determined to increase its healthcare investment, so that a greater number of our people can afford and access better healthcare services.

The ongoing trend of controlling the total amount of payments for basic medical insurance is expected to continue for a long time. But it is necessary to recognize that the key factor that reduces the cost of basic medical insurance is technological advances, and achieving technological advances requires years of investment in R&D. Technological innovation, the constant release of more cutting-edge diagnosis and treatment products, an early and effective diagnosis, as well as early intervention to treat diseases, are crucial factors that contribute to effective and sustainable usage of medical insurance funds.

In addition, centralized procurement will stimulate the innovation capability of the medical device industry. The National Healthcare Security Administration has made it clear that innovative medical devices, which can be covered by medical insurance payments, are not subject to centralized procurement. This policy aims to lay a solid foundation for the clinical use and continued development of innovative medical devices. Meanwhile, in order to increase their chances of standing out from the competition, medical device companies will place a greater investment on R&D innovation and strive to improve product technologies while lowering costs. The medical insurance system emphasizes the importance of ensuring reasonable profits for production companies, as well as serves as a pillar of R&D. In the long run, the outlook for the centralized procurement policy to boost the domestic medical device industry is highly optimistic.

(5) Innovative Medical Devices Receiving DRG-Exempt Support, with the Full Implementation of DRG and DIP amidst the Reform of Medical Insurance Payment

In November 2021, the National Healthcare Security Administration officially printed and issued the *Three-Year Action Plan for the Reform of the DRG/DIP Payment Method,* proposing the implementation of the DRG/DIP payment method reform in all basic medical insurance coordination regions of the country by the end of 2024. Moreover, by the end of 2025, the DRG/DIP payment should cover all eligible medical institutions that provide inpatient services. Followed by the issuance at the national level, various provinces and autonomous regions, including Shaanxi, Fujian, Anhui, Liaoning, and Inner Mongolia, successively released their own three-year action plan for the reform of the DRG/DIP payment method, with the implementation plan for the reform of medical insurance payment methods being further clarified.

On March 30, 2022, the National Health Commission printed and issued the *Operational Manual for Performance Appraisal of National Class III Public Hospitals*. This *Operational Manual* maintains the same scope of the performance appraisal, indicator structure, and sequence as those outlined in the *Operational Manual (2020 Edition)*. The new *Operational Manual* introduces higher requirements for the consistency and accuracy of the data generated within class III hospitals. With the nationwide rollout of DRG/DIPs, the integration and standardization of relevant data within hospitals have been vital in controlling the total amount of payments for basic medical insurance and ensuring that hospitals can operate normally.

The promotion of both DRG/DIP and the mutual recognition of test results is a promising endeavor to reduce the number of tests performed as a result of excessive diagnosis and treatment. But with the fact that the penetration rate of physical examination and surgeries remains at low levels, the country is still working on increasing its healthcare investment. It is expected that there will be continued growth in the demand for testing and the overall number of tests performed in the upcoming years. The implementation of DRG/DIP has imposed higher requirements on medical institutions to improve their capability of diagnosis and treatment while regulating their practices. As a result, medical institutions are now empowered to focus more on improving their capability to accurately diagnose and treat diseases. Precise diagnosis is the first step of precise treatment. The importance and value of diagnostic tests will not be only limited to in-vitro diagnostics but will also extend to other fields, such as medical imaging. Moreover, the diagnosis and treatment of many diseases often entail joint diagnostic tests that combine different fields, such as in-vitro diagnostics and medical imaging, highlighting the critical role of clinical testing in the DRG/DIP payment system.

The country is making steady progress with DRG and DIP while also being open to innovation. On July 13, 2022, Beijing Municipal Medical Insurance Bureau released the *Circular on Printing and Issuing the Measures for Administration of the Exclusion from CHS-DRG Payment for New Drugs and New Technologies (Trial Implementation)*. According to the circular, innovative drugs, medical devices, diagnosis, and treatment products that feature innovation and clinical benefits, as well as have a substantial impact on the DRG payment standard, can be exempt from coverage under the DRG payment mode. Beijing is among the cities selected to pilot the DRG payment mode in China. The issuance of the circular heralds that innovative products with true clinical value can be excluded from DRG payment and instead, can be paid separately based on their actual costs. The policy sets an example and serves as a driving force for promoting innovation.

On March 4, 2023, the National Healthcare Security Administration issued the *Reply to Recommendation No. 3298 of the Fifth Session of the 13th National People's Congress,* addressing the issue of the payment policy for new medical technologies, which was raised by deputies in their recommendation to further improve the DRGs payment system of medical insurance. The National Healthcare Security Administration scaled up its support with this reply for excluding innovative medical devices from DRG, and specifically encouraged local healthcare security administrations to explore the establishment of relevant mechanisms for CHS-DRG payment to promote the development of new medical technologies in their pilot work.

In the coming years, DRG and DIP will become more effective in alleviating the burden on medical insurance funds and reversely, exerting pressure on equipment suppliers to lower product prices. This will become particularly important as hospitals and medical insurance funds face mounting financial pressure, making it essential for hospitals to prioritize both clinical diagnosis and treatment efficiency and cost control. In addition, DRG and DIP will further enhance the regulation of the domestic medical environment and medical insurance expenditure structure, making a direct impact on the hospitals' clinical laboratories to prioritize the procurement cost of consumables. As a result, the market penetration of products with high cost-effectiveness and core competitiveness will be increasingly expanding. This will have a profound effect on the full production chain of the medical device industry.

(6) Rapid Development Period for Smart Medical Care Supported by Policies and Cutting-Edge Technologies

The rapid development of cutting-edge scientific technologies, including 5G, cloud computing, Internet of Things, and AI has fostered smart medical care. The promotion of new healthcare infrastructure buildup plans has propelled digital technologies toward the forefront, and the development of smart medical care in China is now entering a phase of rapid growth.

Policy-wise, in April 2018, the General Office of the State Council printed and issued the *Opinions on Promoting the Development of "Internet Plus Healthcare",* providing guidance on the development of a deeper integration of the Internet and healthcare. In 2019, the development of "Internet Plus Healthcare" was included in the Report on the Work of the Government for the first time, demonstrating the government's commitment to speed up the establishment of a remote medical service system. On July 23, 2020, the State Council printed and issued the *Key Tasks of Deepening the Medical and Health System Reform in the Second Half of 2020,* highlighting the need to promote the construction of tiered diagnosis and treatment as well as the medical and health informatization, accelerate the development of "Internet Plus Healthcare", improve the national integrated health platform, promote the application of new generation information technology in the medical and health field, and facilitate the reshaping of medical and health management and service models. In 2021, the *Report on the Work of the Government* reiterated the mention of "Internet Plus Healthcare", stressing the importance of standardizing its development.

On November 7, 2022, the National Health Commission, together with the National Administration of Traditional Chinese Medicine and the National Administration of Disease Control and Prevention, developed, printed, and issued the *Plan for National Health Informatization during the "14th Five-Year Plan" Period,* specifying the guiding ideology of the construction of health informatization for all, emphasizing the need to adhere to the fundamental principles of "coordinated planning and efficient utilization, joint construction and shared use, service orientation and business-driven development, open integration and innovative development, standardization and orderliness, and safety and controllability". The plan also proposed 8 key tasks as follows: firstly, to intensively build the infrastructure support system for informatization; secondly, to improve the standard system for the informatization of national health; thirdly, to deepen the "Internet Plus Healthcare" service system; fourthly, to improve the system of essential elements of health and medical big data resources; fifthly, to promote the integration and innovative development of digital health; sixthly, to expand the informatization security service system at the primary level; seventhly, to strengthen the system of statistical investigation, analysis, and application in the medical and health field; and eighthly, to enhance the network and data security system.

With the guidance of the new medical insurance scheme, continuous policy support, and cutting-edge technologies, local governments will be empowered to increase their investment in local smart medical care infrastructure. Meanwhile, due to the significant increase in demand for remote medical service and integrated equipment information in countries in Europe and North America, the medical device industry will embrace better opportunities for digital development.

(7) Given the Small Scale and Low Industry Concentration of China's Medical Device Companies, Policies being Introduced to Promote the High-Quality Development of the Industry

At present, China's medical device companies are still in a "small and scattered" situation. According to Shenzhen Association of Medical Devices, the total revenue of the companies with TOP10 global medical device revenues in 2021 was about USD 198.7 billion, which was 10.4 times that of the companies with TOP10 medical device revenues in China in the same period, and the total revenue of the companies with TOP20 global medical device revenues was about USD 301.2 billion, which was 11 times that of the companies with TOP20 medical device revenues in China in the same period. From the perspective of market concentration, from 2019 to 2021, the companies with

TOP100 global medical device revenues accounted for 88.90%, 89.20% and 90.70% of the global market respectively, while the listed companies with TOP100 medical device revenues in China in the same period accounted for 20.90%, 19.00% and 20.00% of China's overall market respectively. As shown by both domestic market data and the comparative data of the global market, the market concentration of China's medical device companies remains very low, and there is still much room for improvement.

At the same time, China's medical device industry has maintained a good momentum of rapid and healthy development, with continuous optimization of product mix and accelerated emergence of innovative products, which is closely related to the long-term national policy of promoting the development of medical device industry. In order to accelerate the high-quality development of medical device industry, various local governments have issued policies to create an innovative and entrepreneurship environment that is open and inclusive for medical device companies.

On December 31, 2021, Guangdong Province issued the *Implementation Plan for Promoting the High-Quality Development of Medical Device Industry in Guangdong Province*, proposing striving to achieve a compound annual growth rate of more than 20% in the revenue of medical device manufacturing industry by 2023, with the annual revenue of the medical device manufacturing industry above designated size reaching RMB 170 billion. The plan also set out targets to obtain 30 approved national innovative medical device registration certificates, have 30 companies listed on the capital market, and form a high-end medical device industry cluster with Guangzhou and Shenzhen as the dual cores. In addition, the plan also proposed striving to achieve a compound annual growth rate of more than 20% in total revenue of medical device manufacturing industry in Guangdong Province by 2025, with the annual revenue of the medical device manufacturing industry above designated size reaching RMB 250 billion. The plan also aimed to obtain 50 approved national innovative medical device registration certificates; cultivate 35 companies listed on the capital market, with 2-3 demonstration companies having a market capitalization exceeding RMB 100 billion, 3-5 companies with annual revenue exceeding RMB 10 billion, and 5-8 leading companies with annual revenue exceeding RMB 5 billion.

On January 30, 2022, 9 government departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce, the National Health Commission, the Ministry of Emergency Management, the National Healthcare Security Administration, the National Medical Products Administration and the National Administration of Traditional Chinese Medicine jointly printed and issued *the "14th Five-Year Plan" for the Development of Pharmaceutical Industry.* The *"14th Five-Year Plan" for the Development of Pharmaceutical Industry* summarized the important achievements of the pharmaceutical industry during the "13th Five-Year Plan" period, and put forward six specific goals, the first of which is the steady growth of economies of scale, namely, based on a comprehensive analysis of the indicators of economies of scale of the pharmaceutical industry during the "13th Five-Year Plan" period and taking into account factors such as technological development and policy changes at home and abroad, it proposed that the average annual growth rate of revenue and total profits of the pharmaceutical industry during the "14th Five-Year Plan" period will remain above 8%, while the proportion of added value in all industries will increase to about 5%. Additionally, the concentration of leading companies in the industry will be further improved.

On July 11, 2022, the Ministry of Industry and Information Technology and the National Health Commission jointly drafted the exposure draft on the *Measures for Administration for High-End Medical Equipment Application Demonstration Bases (Trial Implementation)*. According to the exposure draft, high-end medical equipment refers to medical equipment that has achieved product performance at either the international advanced or domestic leading level. The product categories mainly include diagnostic inspection equipment, treatment equipment, monitoring and life support equipment, traditional Chinese medicine diagnosis and treatment equipment, maternal and child health equipment, health care and

rehabilitation equipment, active implantable and interventional medical devices, etc. According to the exposure draft, in clinical application demonstration, well-known medical institutions will take the lead in cooperating with regional medical resources and leading production companies to carry out research on new product diagnosis and treatment technology and comprehensive surgical compound operating room solutions. The goal was to explore a new mode of medical-industrial cooperation that can be replicated and popularized, which will play a strong demonstration and driving role in promoting the development and application of innovative medical equipment.

On July 26, 2022, the Development and Reform Commission of Shenzhen Municipality issued *Several Measures to Promote the High-Quality Development of High-End Medical Device Industry Cluster in Shenzhen* (hereinafter referred to as *Measures*), with a focus on supporting high-end medical imaging, in-vitro diagnostics, life monitoring and life support, high-end implantation and intervention, emergency treatment, tumor radiotherapy, medical endoscopy, gene detection, optical equipment, DNA synthesizer, intelligent rehabilitation assistive devices and health management instruments and equipment. The *Measures* also aimed to support various reagents and products required for disease screening and precision medication analysis, high-end implantation and intervention products such as stents, valves, ventricular assistive devices, intraocular lenses, and orthopedic devices, biodegradable materials, materials for tissue and organ induced regeneration and repair, novel oral materials, high-value consumables and other biomedical materials. Moreover, the *Measures* supported the application of surgical robots, intelligent software, and other artificial intelligence information technologies in medical equipment scenarios. The *Measures* specifically promoted the development of industrial clusters by various approaches, including strengthening the innovation source of the medical device industry, strengthening the ability of scientific and technological transformation and industrialization, increasing the demonstration of innovative products application, deepening the reform of clinical trials, and making every effort to build specialized industrial parks for the medical device industry. The implementation of the *Measures* will speed up the cultivation of high-end medical device industry clusters, effectively seize the commanding heights of the new round of industrial development, and enhance the core competitiveness of the industry.

(8) The High-Quality Development and International Competitiveness of the Medical Device Industry in China Reaching a New Level through the Continuous Optimization of its Foreign Trade Structure

According to China Customs, the total import and export volume of medical devices in China in 2022 was USD 97.48 billion, with a YoY decrease of 18.16%. Among them, imports amounted to USD 37.93 billion, with a YoY decrease of 9.1%, and exports was amounted to USD 59.55 billion, with a YoY decrease of 23.04%. Although the import and export trade volume of medical devices in China declined year-on-year in 2022, it still maintained a healthy development trend compared with that before 2020. The demand in the traditional medical market has recovered, the structure of exported products has been continuously optimized, and the proportion of mid-to-high-end medical device products has continued to increase. The proportion of high-value-added products has been on the rise and the cost-effectiveness of medical consumables has significantly increased, resulting in continuous improvements in benefits of quality. However, imported medical devices are still dominated by high-end products.

In the past three years, the global demand for related medical device products has remained high, and China's medical device products have played an important role in trade, international procurement, emergency assistance, etc., which also provides unprecedented opportunities for China's medical device companies to go overseas, and the industrial innovation and export scale have been upgraded to a higher level. A number of products with independent intellectual property rights and strong international competitiveness have emerged in many sub-sectors.

In 2023, with the resumption of international exchanges and cooperation, China's advantageous industries are facing new development opportunities and challenges. Whether in international exchanges and cooperation, import and export trade, supply chain reshaping, international registration and certification, brand promotion, after-sales service, or in government procurement, foreign aid and technical cooperation, 2023 is particularly important for all multinational companies.

As China's medical device companies are undergoing technological upgrades and expanding in scale, with their increasing resilience and new business models, China's medical device exports are expected to gradually resume steady growth, and the export of high-tech and high-value-added products will continue to expand. China's medical device companies will play a more important role in the global medical device trade, and the high-quality development of the industry and international competitiveness will reach to new heights.

(9) Coexistence of Opportunities and Challenges

The future development of China's medical device industry mainly has the following favorable factors: 1) China's medical reform policies and the new healthcare infrastructure buildup plans promote expansion of the industry; 2) The aging of the population leads to the continuous growth of global medical expenditure; 3) The improvement of per capita disposable income and the comprehensive coverage of medical insurance enhance the payment ability for medical and health services.

The main challenges faced by China's medical device industry include: 1) market access barriers to overseas markets; 2) the small size and weak competitiveness of China's medical device companies; 3) insufficient R&D investment by China's medical device companies; and 4) the reluctance of medical institutions to purchase and use China's medical devices.

5. Key Accounting Data and Financial Indicators

(1) Key Accounting Data and Financial Indicators for the Past Three Years

Whether the Company needs to adjust its financial information retrospectively or restates its previous year's accounting information

☐ Yes √ No

Unit: RMB

	As of 2022	As of 2021	Change between the year-end figure for this year and the previous year	As of 2020
Total assets	46,745,236,809.00	38,103,022,990.00	22.68%	33,306,388,963.00
Net assets attributable to shareholders	31,980,825,123.00	26,952,803,219.00	18.65%	23,277,631,000.00
	2022	2021	YoY change	2020
Revenue	30,365,643,811.00	25,269,580,818.00	20.17%	21,025,846,389.00
Net profit attributable to shareholders	9,607,174,094.00	8,001,553,606.00	20.07%	6,657,676,062.00
Net profit attributable to shareholders, net of non-recurring profit/loss	9,525,117,528.00	7,850,417,234.00	21.33%	6,539,656,430.00
Net cash flow from operating activities	12,141,147,876.00	8,998,649,175.00	34.92%	8,870,109,849.00
Basic earnings per share (RMB/share)	7.9402	6.5868	20.55%	5.4765
Diluted earnings per share (RMB/share)	7.9369	6.5868	20.50%	5.4765
Weighted average return on equity	33.38%	31.92%	an increase of 1.46 percentage points	32.29%

(2) Key Accounting Data by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	6,943,108,994.00	8,412,467,085.00	7,940,254,590.00	7,069,813,142.00
Net profit attributable to shareholders	2,105,071,901.00	3,182,580,387.00	2,814,681,784.00	1,504,840,022.00
Net profit attributable to shareholders, net of non-recurring profit/	2,072,184,897.00	3,174,908,759.00	2,756,585,765.00	1,521,438,107.00
Net cash flow from operating activities	869,750,366.00	3,207,137,232.00	2,664,626,966.00	5,399,633,312.00

Whether the above financial indicators or the totals differ significantly from those disclosed in the Company's quarterly and semi-annual reports

☐ Yes √ No

6. Share Capital and Shareholders

(1) Number of Ordinary Shareholders and Preferred Shareholders with Voting Rights Restored and Shareholding of the Top Ten Shareholders

Unit: Share

Total number of shareholders at the end of the Reporting Period	65,619	Total number of shareholders at the end of the previous month before the disclosure date of the annual report	63,099	Total number of preferred shareholders with voting rights restored	0	Total number of shareholders holding special voting shares	0

Shareholding of the top ten shareholders

Name of shareholder	Type of shareholder	Shareholding percentage	Total number of shares held	Number of restricted shares held	Pledged, marked or frozen shares	
					Status of shares	Amount
Smartco Development Limited	Overseas legal entity	26.98%	327,072,335	0		
Magnifice (HK) Limited	Overseas legal entity	24.49%	296,951,000	0	Pledged	49,660,000
Hong Kong Securities Clearing Co., Ltd.	Overseas legal entity	11.69%	141,789,298	0		
Ever Union (H.K.) Limited	Overseas legal entity	4.41%	53,526,377	0		
Shenzhen Ruilong Consultancy Services Partnership (LLP)	Domestic non-state-owned legal entity	1.81%	21,986,272	0	Pledged	250,199
Shenzhen Ruifu Management Consultancy Partnership (LLP)	Domestic non-state-owned legal entity	1.74%	21,098,458	0	Pledged	190,662
Industrial & Commercial Bank of China – China-Europe Medical and Health Hybrid Securities Investment Fund	Others	1.11%	13,493,785	0		
Industrial & Commercial Bank of China -– Invesco Great Wall Emerging Growth Mixed Securities Investment Fund	Others	0.87%	10,500,000	0		
Shenzhen Ruixiang Investment Consultancy Partnership (LLP)	Domestic non-state-owned legal entity	0.85%	10,338,348	0		

Shenzhen Ruijia Management Consultancy Partnership (LLP)	Domestic non-state-owned legal entity	0.85%	10,293,748	0		
Explanation on any associated relationship and/or persons acting in concert between the above-mentioned shareholders	1. Smartco Development Limited, Magnifice (HK) Limited, Shenzhen Ruilong Consultancy Services Partnership (LLP) and Shenzhen Ruifu Management Consultancy Partnership (LLP): (1) Li Xiting holds shares in Shenzhen Ruilong Consultancy Services Partnership (LLP) and Shenzhen Ruifu Management Consultancy Partnership (LLP) as a limited partner and indirectly holds equity interest inf Smartco Development Limited through Quiet Well Limited; (2) Xu Hang holds shares in Shenzhen Ruilong Consultancy Services Partnership (LLP) and Shenzhen Ruifu Management Consultancy Partnership (LLP) as a limited partner; meanwhile, Xu Hang indirectly holds equity interest in Magnifice (HK) Limited through Magnifice Limited; (3) Cheng Minghe holds shares in Shenzhen Ruilong Consultancy Services Partnership (LLP) Shenzhen Ruifu Management Consultancy Partnership (LLP) as a limited partner, and serves as an executive director of Rui'an Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruifu Management Consultancy Partnership (LLP); (4) Wu Hao holds equity interest in Ruiheng Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruilong Consultancy Services Partnership (LLP), and serves as an executive director and general manager of Ruiheng Consultancy Management (Shenzhen) Co., Ltd., and holds equity interest in Ruian Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruifu Management Consultancy Partnership (LLP); (5) Li Xiting and Xu Hang are persons acting in concert. 2. Ever Union (H.K.) Limited, Shenzhen Ruijia Management Consultancy Partnership (LLP) and Shenzhen Ruixiang Investment Consultancy Partnership (LLP): (1) Cheng Minghe is the sole director of Ever Union (H.K.) Limited and serves as an executive director in Ruixiang Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruijia Management Consultancy Partnership (LLP), and Ruikang Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruixiang Investment Consultancy Partnership (LLP); (2) Wu Hao holds equity interest of Ruixiang Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruijia Management Consultancy Partnership (LLP), and Ruikang Consultancy Management (Shenzhen) Co., Ltd., a general partner of Shenzhen Ruixiang Investment Consultancy Partnership (LLP). Save for the above, the Company is not aware of any related-party relationship among the above shareholders or whether they are parties acting in concert.					

Whether the Company has an arrangement for differential voting rights

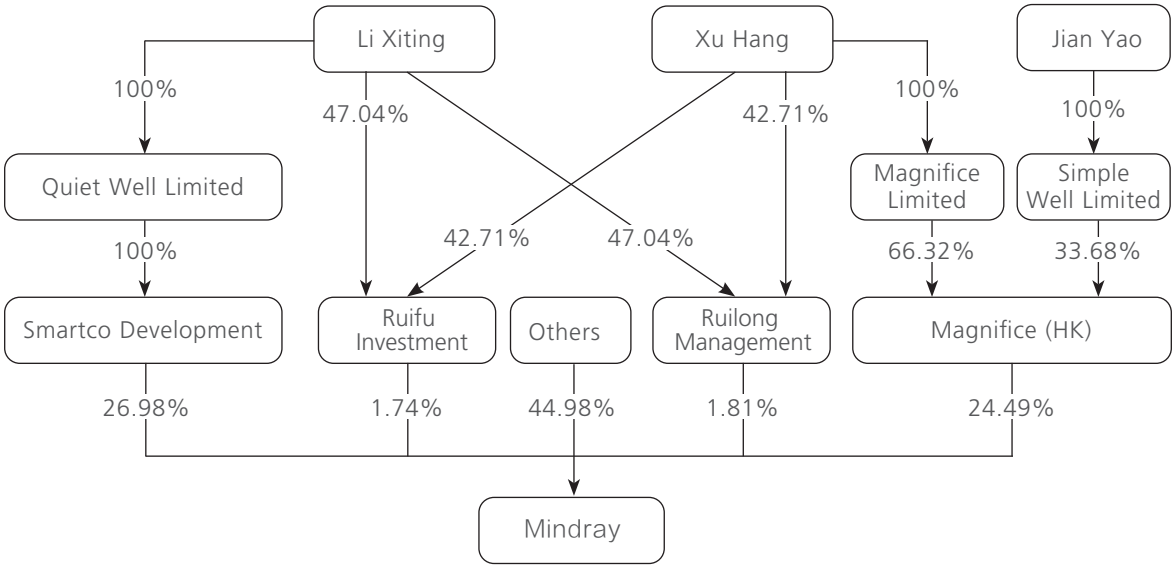
☐ Applicable √ Not applicable

(2) Total Number of the Preferred Shareholders of the Company and the Shareholding of the Top Ten Preferred Shareholders

☐ Applicable √ Not applicable

There was no shareholding of preferred shareholders of the Company during the Reporting Period.

(3) Set Out Below is the Chart of the Ownership and Controlling Relationship between the Company and the Actual Controllers



7. Outstanding Bonds on the Date of Approval of the Annual Report

☐ Applicable √ Not applicable

For more significant events, please refer to Mindray: 2022 Annual Report published on cninfo (www.cninfo.com.cn) on the same day.

03 FINANCIAL STATEMENTS

Consolidated Balance Sheet

As at 31 December 2022

(English translation for reference only)

Unit: RMB

Items	December 31, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	23,185,663,305.00	15,361,062,758.00
Settlement provision		
Lendings to banks and other financial institutions		
Financial assets held for trading		
Derivative financial assets		9,820,000.00
Notes receivable	2,094,202.00	131,697,681.00
Accounts receivable	2,658,711,527.00	1,658,675,548.00
Receivables financing		
Prepayments	289,434,034.00	237,870,214.00
Premiums receivable		
Reinsurance accounts receivable		
Provisions for reinsurance contracts receivable		
Other Receivables	149,105,941.00	126,035,180.00
Incl: interest receivable		
Dividends receivable		
Repurchasing of financial assets		
Inventories	4,024,915,834.00	3,565,329,699.00
Contract assets		
Assets held for sale		
Non-current assets due within 1 year	31,819,900.00	26,369,000.00
Other current assets	264,060,901.00	217,989,794.00
Total current assets	30,605,805,644.00	21,334,849,874.00
Non-current assets:		
Loans and advances		
Debt investments		
Other debt investments		

Items	December 31, 2022	January 1, 2022
Long-term receivables	25,282,311.00	34,545,215.00
Long-term equity investments	60,800,660.00	26,356,400.00
Investments in other equity instruments		
Other non-current financial assets		
Investment properties	43,371,175.00	45,256,251.00
Fixed assets	4,260,989,068.00	3,771,794,343.00
Construction in progress	1,802,682,137.00	1,126,309,549.00
Productive biological assets		
Oil and gas assets		
Right-of-use assets	225,854,257.00	233,244,486.00
Intangible assets	1,976,730,192.00	2,061,210,179.00
Development expenditure	296,901,995.00	140,061,226.00
Goodwill	4,403,193,037.00	4,218,327,427.00
Long-term deferred expenses	82,552,342.00	84,174,207.00
Deferred tax assets	755,078,884.00	596,428,529.00
Other non-current assets	2,205,995,107.00	4,430,465,304.00
Total non-current assets	16,139,431,165.00	16,768,173,116.00
Total assets	46,745,236,809.00	38,103,022,990.00
Current liabilities:		
Short-term borrowings		
Loan from Central Bank		
Loans from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	2,290,617,795.00	2,281,108,321.00
Advances from customers	300,851.00	231,787.00
Contract liabilities	4,142,767,341.00	2,408,192,187.00
Financial assets sold for repurchase		
Customer bank deposits and due to banks and other financial institutions		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		

Items	December 31, 2022	January 1, 2022
Employee benefits payable	2,162,216,866.00	1,771,044,552.00
Taxes payable	573,402,030.00	473,651,796.00
Other payables	1,901,416,886.00	1,309,047,185.00
Incl: interests payable		
Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within 1 year	97,216,877.00	85,084,923.00
Other current liabilities	601,874,175.00	300,712,562.00
Total current liabilities	11,769,812,821.00	8,629,073,313.00
Non-current liabilities:		
Insurance contract provision		
Long-term borrowings		
Bonds payable		
Incl: preferred shares		
Perpetual bonds		
Lease liabilities	139,307,612.00	152,152,581.00
Long-term payables		
Long-term employee benefits payables	2,160,645,101.00	1,811,731,273.00
Estimated liabilities	231,940,129.00	186,766,880.00
Deferred income	92,942,716.00	105,094,391.00
Deferred tax liabilities	183,128,092.00	200,435,312.00
Other non-current liabilities	168,348,175.00	49,723,249.00
Total non-current liabilities	2,976,311,825.00	2,505,903,686.00
Total liabilities	14,746,124,646.00	11,134,976,999.00
Owners' equity:		
Share capital	1,212,441,394.00	1,215,691,266.00
Other equity instruments		
Incl: preferred shares		
perpetual bonds		
Capital reserves	7,508,886,780.00	8,152,584,784.00

Items	December 31, 2022	January 1, 2022
Less: Treasury shares	999,990,786.00	999,990,786.00
Other comprehensive income	-109,069,401.00	-409,739,649.00
Special reserve		
Surplus reserve	607,845,633.00	607,845,633.00
Generic risk reserve		
Undistributed profit	23,760,711,503.00	18,386,411,971.00
Total owners' equity attributable to the parent company	31,980,825,123.00	26,952,803,219.00
Minority interests	18,287,040.00	15,242,772.00
Total owners' equity	31,999,112,163.00	26,968,045,991.00
Total liabilities and owners' equity	46,745,236,809.00	38,103,022,990.00

Consolidated Income Statement

As at 31 December 2022

(English translation for reference only)

Unit: RMB

Items	FY 2022	FY 2021
I. Total revenue	30,365,643,811.00	25,269,580,818.00
Incl: Operating income	30,365,643,811.00	25,269,580,818.00
Interest income		
Earned premium		
Fee and commission income		
II. Total operating costs	19,826,760,259.00	16,667,539,189.00
Incl: Operating cost	10,885,289,458.00	8,842,715,216.00
Interest expenditure		
Fee and commission paid		
Surrender value		
Net claims paid		
Net provision for insurance contracts liability		
Insurance policy dividend paid		
Reinsurance expenses		
Tax and surcharges	348,286,018.00	281,988,904.00
Selling and distribution expenses	4,801,555,324.00	3,998,947,743.00
Administrative expenses	1,320,052,334.00	1,105,683,090.00
R&D expenses	2,922,614,427.00	2,524,177,625.00
Financial expenses	-451,037,302.00	-85,973,389.00
Incl: interest expense	10,686,780.00	8,634,183.00
Interest income	357,905,784.00	407,324,996.00
Add: Other income	579,815,101.00	574,839,415.00
Investment income ("-" for loss)	-5,061,416.00	811,481.00
Incl: Income from investments in associates and joint ventures	-4,697,879.00	811,481.00
Derecognized earnings of financial assets measured at amortized cost		
Gains from currency exchange ("-"for loss)		
Net exposure hedging gains ("-" for loss)		

Items	FY 2022	FY 2021
Gains from changes in fair value ("-" for loss)	-21,378,189.00	9,878,833.00
Credit impairment losses ("-" for loss)	-36,814,207.00	5,813,969.00
Asset impairment losses ("-" for loss)	-71,094,102.00	-131,734,229.00
Gains from disposal of assets ("-" for loss)	6,164,292.00	4,065,884.00
III. Operating profits ("-" for loss)	10,990,515,031.00	9,065,716,982.00
Add: Non-operating income	35,283,143.00	23,240,924.00
Less: Non-operating expenses	72,247,521.00	71,873,073.00
IV. Total profits ("-"for total loss)	10,953,550,653.00	9,017,084,833.00
Less: Income tax expenses	1,342,833,838.00	1,013,038,963.00
V. Net profits ("-"for net loss)	9,610,716,815.00	8,004,045,870.00
(I) Classification by business continuity		
1. Net profit of continuing operations ("-" for net loss)	9,610,716,815.00	8,004,045,870.00
2. Net profit of discontinued operations ("-" for net loss)		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company	9,607,174,094.00	8,001,553,606.00
2. Minority shareholder profit or loss	3,542,721.00	2,492,264.00
VI. Other comprehensive income, net of tax	300,670,248.00	-287,162,436.00
The other comprehensive income (net of tax) attributable to the owners of the parent company	300,670,248.00	-287,162,436.00
(I) Other comprehensive income items which cannot be reclassified subsequently to profit of loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income inconvertible to profit or loss under the equity method		
3. Changes in fair value of other equity instruments investments		
4. Changes in fair value of corporate credit risk		
5. Other		
(II) Other comprehensive income items that will be reclassified to profit or loss	300,670,248.00	-287,162,436.00
1. Other comprehensive income convertible to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount from reclassification of financial assets that is recorded into other comprehensive income		

Items	FY 2022	FY 2021
4. Provision for credit impairment of other debt investments		
5. Cash flow hedge reserve		
6. Differences on translation of foreign currency financial statements	300,670,248.00	-287,162,436.00
7. Others		
Other comprehensive income (net of tax) attributable to minority interests		
VII. Total comprehensive income	9,911,387,063.00	7,716,883,434.00
Total comprehensive income attributable to the owners of the parent company	9,907,844,342.00	7,714,391,170.00
Total comprehensive income attributable to the minority interests	3,542,721.00	2,492,264.00
VIII. Earnings per share		
(I) Basic earnings per share	7.9402	6.5868
(II) Diluted earnings per share	7.9369	6.5868

Consolidated Cash Flow Statement

As at 31 December 2022

(English translation for reference only)

Unit: RMB

Items	FY 2022	FY 2021
I. Cash flows arising from operating activities:		
Cash received from sales of goods and provision of services	34,571,634,884.00	26,136,465,139.00
Net increase in customer deposits and interbank deposits		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums under original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interest, fees and commissions		
Net increase in loans from banks and other financial institutions		
Net increase in repurchasing business		
Net cash received from entrusted trading of securities		
Refund of taxes	647,165,750.00	490,853,871.00
Cash received relating to other operating activities	482,865,372.00	791,628,656.00
Subtotal of cash inflow arising from operating activities	35,701,666,006.00	27,418,947,666.00
Cash paid for goods & services	12,097,385,989.00	8,675,969,493.00
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other banks		
Cash paid for original contract claim		
Net increase in lendings to banks and other financial institutions		
Cash paid for interest, fee and commission		
Cash paid for policy dividend		
Cash paid to and for employees	6,132,767,749.00	5,349,441,531.00
Cash paid for taxes and surcharges	3,359,152,955.00	2,560,077,388.00
Cash paid relating to other operating activities	1,971,211,437.00	1,834,810,079.00
Subtotal of cash outflow arising from operating activities	23,560,518,130.00	18,420,298,491.00
Net cash flow from operating activities	12,141,147,876.00	8,998,649,175.00

Items	FY 2022	FY 2021
II. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from investment income		
Net proceeds from disposal of fixed, intangible and other long-term assets	73,327,178.00	21,734,097.00
Net cash received from disposal of subsidiaries and other units		
Cash received relating to other investing activities	191,680,800.00	140,000,000.00
Subtotal of cash inflow from investing activities	265,007,978.00	161,734,097.00
Cash paid for the acquisition and construction of fixed, intangible and other long-term assets	1,915,528,356.00	1,402,493,907.00
Cash paid for investment	36,500,000.00	
Net increase in pledge loans		
Net cash received from subsidiaries and other units		3,519,676,951.00
Cash paid relating to other investing activities	1,532,750,207.00	51,680,800.00
Subtotal of cash outflow from investing activities	3,484,778,563.00	4,973,851,658.00
Net cash flows from investing activities	-3,219,770,585.00	-4,812,117,561.00
III. Cash flows arising from financing activities		
Cash received from attraction of investments		
Incl: Cash received from attraction of investments from minority shareholders of subsidiaries		
Cash received from borrowings		
Cash received relating to other financing activities	153,694,520.00	
Subtotal of cash inflow from financing activities	153,694,520.00	
Cash paid for debt repayments		440,732,118.00
Cash paid for distribution of dividends and profits or payment of interests	4,233,373,015.00	3,039,228,165.00
Incl: Dividend and profit paid to minority shareholders by subsidiaries	498,453.00	
Cash paid relating to other financing activities	1,114,599,275.00	1,124,910,023.00
Subtotal of cash outflow from financing activities	5,347,972,290.00	4,604,870,306.00
Net cash flows from financing activities	-5,194,277,770.00	-4,604,870,306.00
IV. Effects of exchange rate changes on cash and cash equivalents	113,815,806.00	-171,446,283.00
V. Net increase in cash and cash equivalents	3,840,915,327.00	-589,784,975.00
Add: Beginning balance of cash and cash equivalents	15,132,728,506.00	15,722,513,481.00
VI. Closing balance of cash and cash equivalents	18,973,643,833.00	15,132,728,506.00

Stock Code: 300760

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