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北京市春立正達醫療器械股份有限公司

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

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

(Stock Code: 1858)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of Beijing Chunlizhengda Medical Instruments Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022. The results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Accounting Standards of the People's Republic of China (the “**PRC**”).

* For identification purposes only

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	Notes	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Current assets:			
Monetary capital		1,106,850,997.71	1,736,493,995.38
Held-for-trading financial assets		490,841,808.22	—
Financial assets measured at fair value with changes included in current profit and loss		—	—
Derivative financial assets		—	—
Notes receivable		79,391,041.63	127,595,937.14
Accounts receivable	2	603,219,966.20	400,193,012.58
Prepayment		26,152,587.49	7,656,146.95
Other receivables		4,542,173.03	4,489,954.17
Including: Interests receivable		—	—
Dividends receivable		—	—
Inventories		182,316,417.58	159,677,359.96
Contract assets		—	—
Assets held-for-sale		—	—
Non-current assets due within one year		—	—
Other current assets		7,114,731.38	11,657,475.04
Total current assets		2,500,429,723.24	2,447,763,881.22
Non-current assets:			
Debt investments		—	—
Available-for-sale financial assets		—	—
Other debt investments		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other investments in equity instruments		—	—
Other non-current financial assets		—	—
Investment property		—	—
Fixed assets		286,538,382.86	111,389,835.89
Construction in progress		163,206,588.00	281,558,992.24
Productive biological assets		—	—
Oil & gas assets		—	—
Right-of-use assets		2,642,244.96	1,798,726.19
Intangible assets		132,037,429.59	131,974,040.11
Development expenditures		—	—
Goodwill		—	—
Long-term prepayments		18,333.53	128,333.51
Deferred income tax assets		19,981,725.31	22,882,542.60
Other non-current assets		2,047,905.47	2,161,009.69
Total non-current assets		606,472,609.72	551,893,480.23
Total assets		3,106,902,332.96	2,999,657,361.45

Item	Notes	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Current liabilities:			
Short-term borrowings		—	—
Held-for-trading financial liabilities		—	—
Financial liabilities measured at fair value with changes included in current profit and loss		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable	3	172,077,363.73	142,415,529.82
Advances received		6,892,177.01	6,992,973.01
Contract liabilities		77,104,855.39	59,540,669.01
Employee remuneration payable		21,518,419.64	46,267,095.42
Taxes payable		27,473,455.47	32,302,495.73
Other payables		93,838,742.65	75,055,164.38
Including: Interests payable		—	—
Dividends payable		10,037,664.00	—
Liabilities held-for-sale		—	—
Non-current liabilities due within one year		1,083,556.72	1,226,469.52
Other current liabilities		41,749,718.76	75,818,491.35
Total current liabilities		441,738,289.37	439,618,888.24
Non-current liabilities:			
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred shares		—	—
Perpetual bonds		—	—
Lease liabilities		683,348.11	—
Long-term payables		—	—
Long-term employee remuneration payable		—	—
Estimated liabilities		—	—
Deferred gains		83,495,443.86	85,558,271.60
Deferred income tax liabilities		4,881,768.54	5,402,815.13
Other non-current liabilities		—	—
Total non-current liabilities		89,060,560.51	90,961,086.73
Total liabilities		530,798,849.88	530,579,974.97

Item	Notes	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Shareholders' equity:			
Share capital	4	384,280,000.00	384,280,000.00
Other equity instruments			
Including: Preferred shares		—	—
Perpetual bonds		—	—
Capital reserve	5	1,051,228,272.24	1,051,228,272.24
Less: Treasury shares		—	—
Other comprehensive income		—	—
Specific reserve		—	—
Surplus reserve	6	124,721,689.87	124,721,689.87
Undistributed profits	7	<u>1,015,873,520.97</u>	<u>908,847,424.37</u>
 Total interests attributable to shareholders of the parent company		2,576,103,483.08	2,469,077,386.48
Minority interests		<u>—</u>	<u>—</u>
Total shareholders' equity		<u>2,576,103,483.08</u>	<u>2,469,077,386.48</u>
Total liabilities and shareholders' equity		<u>3,106,902,332.96</u>	<u>2,999,657,361.45</u>
 Net current assets		<u>2,058,691,433.87</u>	<u>2,008,144,992.98</u>
 Total assets less current liabilities		<u>2,665,164,043.59</u>	<u>2,560,038,473.21</u>

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item	Notes	Six months ended 30 June	
		2022 RMB	2021 RMB
I. Revenue	8	571,391,616.43	482,631,531.05
Less: Operational costs	8	145,594,637.37	113,373,144.92
Taxes and levies		7,527,471.97	4,892,505.52
Selling expenses		155,014,781.22	142,639,818.89
Administrative expenses		15,464,147.98	13,620,084.00
Research and development expenses		72,289,835.94	34,229,327.60
Finance expenses		(5,778,256.50)	(5,350,024.85)
Including: Interest expenses			
Interest proceeds		3,290,835.64	5,545,914.58
Add: Other gains		2,593,019.91	13,435,360.61
		<hr/>	<hr/>
Investment income/(loss)		3,557,534.25	–
Including: Investment income from			
associates and joint ventures		–	–
Income/(loss) from			
derecognition of financial			
assets at amortised cost		–	–
Net profit/(loss) on hedging			
exposure		–	–
Gains/(losses) on changes of			
fair value		3,962,082.19	–
Loss on credit impairment		(14,310,980.47)	(9,599,905.88)
Loss on asset impairment		(2,468,465.22)	(637,613.95)
Gains/(losses) on disposal of			
assets		25,305.66	8,193.86
		<hr/>	<hr/>
II. Operating profit/(loss)		174,637,494.77	182,432,709.61
Add: Non-operating income		44,033.11	53,551.75
Less: Non-operating expenses		2,284,268.26	236,215.51
		<hr/>	<hr/>
III. Gross profit/(loss)		172,397,259.62	182,250,045.85
Less: income tax expenses	9	15,414,763.02	26,694,826.92
		<hr/>	<hr/>

Item	Notes	Six months ended 30 June	
		2022 RMB	2021 RMB
IV. Net profit/(net loss)		156,982,496.60	155,555,218.93
(I) Classified by continuity of operation:			
1. Net profit for continuing operation		156,982,496.60	155,555,218.93
2. Net profit for ceased operation		<u>—</u>	<u>—</u>
(II) Classified by ownership:			
1. Net profit attributable to the shareholders of the parent company		156,982,496.60	155,555,218.93
2. Non-controlling shareholders' profit or loss		<u>—</u>	<u>—</u>
V. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to the shareholders of the parent company		—	—
Net other comprehensive income after tax attributable to non-controlling shareholders		<u>—</u>	<u>—</u>
VI. Total comprehensive income		156,982,496.60	155,555,218.93
Total comprehensive income attributable to the shareholders of the parent company		156,982,496.60	155,555,218.93
Total comprehensive income attributable to non-controlling shareholders		<u>—</u>	<u>—</u>
VII. Earnings per share			
(I) Basic earnings per share	10	0.41	0.45
(II) Diluted earnings per share	10	0.41	0.45

Notes:

1 GENERAL

Beijing Chunlizhengda Medical Instruments Co., Ltd.* (hereinafter referred to as the “**Company**”) was established in the People’s Republic of China (the “**PRC**”) on 12 February 1998.

The Company completed its initial public offering (the “**Listing**”) of its overseas-listed foreign shares (the “**H shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 March 2015. The Company offered a total of 16,670,000 new shares with a nominal value of RMB1.00 per share at the price of HK\$13.88 per share to the public. The trading of H shares of the Company commenced on the Stock Exchange on 11 March 2015.

The Company completed its A Share Offering (the “**A Share Offering**”) on 30 December 2021 on the Science and Technology Innovation Board of the Shanghai Stock Exchange. The public offering of 38,428,000 A shares represents 10% of the total share capital of the Company after the A Share Offering. The aggregate number of A Shares and H Shares held by public shareholders after the completion of the A Share Offering represents 34.94% of the total share capital after the A Share Offering, which is not less than 25% of the total share capital after the A Share Offering. The A Share Offering only involved issue of new shares and there was no public offering by the existing shareholders. The A shares of the Company was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange and the trading of which commenced on 30 December 2021.

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance which as of 30 June 2022 continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 of the Hong Kong Companies Ordinance.

The financial statements have been prepared in accordance with the Company’s accounting policies which conform to the Accounting Standards for Business Enterprises in the PRC (the “**ASBE**”) issued by the Ministry of Finance of the PRC (the “**MOF**”), the related specific standards, the Accounting Standards for Business Enterprises Application Guidance, the PRC Accounting Standards Bulletins and other relevant regulations (hereinafter referred to as the “China Accounting Standards for Business Enterprises”, the “**CASBE**”).

In preparing the financial statements of the Company as of 30 June 2022, the Group has adopted all of the new and revised CASBE issued by the MOF that are effective as of 30 June 2022.

2 ACCOUNTS RECEIVABLE

Categories of accounts receivable:

Item		Individually significant and for which provision is individually assessed	For which bad debt provision is assessed on a grouping basis	Credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As at 31 December 2021							
Carrying amount	Amount (RMB)	–	439,389,881.57	439,389,881.57	439,389,881.57	–	439,389,881.57
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	39,196,868.99	39,196,868.99	39,196,868.99	–	39,196,868.99
	Percentage (%)	–	8.92	8.92	8.92	–	8.92
Net amount		–	400,193,012.58	400,193,012.58	400,193,012.58	–	400,193,012.58
As at 30 June 2022							
Carrying amount	Amount (RMB)	–	656,698,535.51	656,698,535.51	656,698,535.51	–	656,698,535.51
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	53,478,569.31	53,478,569.31	53,478,569.31	–	53,478,569.31
	Percentage (%)	–	8.14	8.14	8.14	–	8.14
Net amount		–	603,219,966.20	603,219,966.20	603,219,966.20	–	603,219,966.20

Credit risk characteristics group:

Aging	As at 30 June 2022			As at 31 December 2021		
	Carrying amount	Provision amount		Carrying amount	Provision amount	
	Percentage			Percentage		
	RMB	%	RMB	RMB	%	RMB
Within one year	603,581,180.07	91.91	30,179,059.01	394,752,712.16	89.84	19,737,635.60
1 to 2 years	29,732,393.04	4.53	4,459,858.96	26,289,006.27	5.98	3,943,350.94
2 to 3 years	9,090,622.13	1.38	4,545,311.07	5,664,561.39	1.29	2,832,280.70
More than 3 years	14,294,340.27	2.18	14,294,340.27	12,683,601.75	2.89	12,683,601.75
Total	656,698,535.51	100.00	53,478,569.31	439,389,881.57	100.00	39,196,868.99

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

3 ACCOUNTS PAYABLE

Item	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Purchasing of materials and others	97,715,251.17	77,662,764.86
Purchasing of machines equipment and engineering	74,362,112.56	64,752,764.96
Total	<u>172,077,363.73</u>	<u>142,415,529.82</u>

Aging analysis of accounts payable is as follows:

Item	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Within one year (inclusive)	165,827,570.87	137,123,856.34
More than one year	6,249,792.86	5,291,673.48
Total	<u>172,077,363.73</u>	<u>142,415,529.82</u>

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

4 SHARE CAPITAL

Unit: share

		Before movement for the period		Movement for the period				After movement for the period		
		Amount	Percentage (%)	Issue of new shares	Reserves		Others	Subtotal	Amount	Percentage (%)
					Bonus shares	transferred to shares				
I.	Restricted shares	256,582,500	66.77				(1,429,779)	(1,429,779)	255,152,721	66.40
	1. State-owned shares									
	2. Shares held by state-owned legal person									
	3. Other domestic shares	256,582,500	66.77				(1,429,779)	(1,429,779)	255,152,721	66.40
	including: Shares held by domestic non-state-owned legal person	26,332,500	6.85				(1,429,779)	(1,429,779)	24,902,721	6.48
	Shares held by domestic natural person	230,250,000	59.92						230,250,000	59.92
	4. Shares held by foreign entities including: Shares held by foreign legal person									
	Shares held by foreign natural person									
II.	Non-restricted tradable shares	127,697,500	33.23				1,429,779	1,429,779	129,127,279	33.60
	1. RMB-denominated ordinary shares	31,845,500	8.29				1,429,779	1,429,779	33,275,279	8.66
	2. Domestically listed foreign shares									
	3. Overseas listed foreign shares	95,852,000	24.94						95,852,000	24.94
	4. Others									
III.	Total number of shares	384,280,000	100.00				0.00	0.00	384,280,000	100.00

5 CAPITAL RESERVE

Item	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Capital premium	1,049,428,272.24	1,049,428,272.24
Other capital reserve	1,800,000.00	1,800,000.00
Total	<u>1,051,228,272.24</u>	<u>1,051,228,272.24</u>

6 SURPLUS RESERVE

Item	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Statutory surplus reserve	<u>124,721,689.87</u>	<u>124,721,689.87</u>

As stipulated by the relevant laws and regulations for enterprises in the PRC, each of the entities comprising the Group is required to maintain a statutory reserve fund which is non-distributable. The appropriations to such reserve fund are made out of net profit after taxation of the statutory financial statements of the relevant PRC companies. The statutory surplus reserve can be used to make up prior year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

7 RETAINED EARNINGS

Item	As at 30 June 2022 RMB	As at 31 December 2021 RMB
Closing balances of the preceding year	<u>908,847,424.37</u>	<u>618,785,640.80</u>
Opening balances of the current year	908,847,424.37	618,785,640.80
Add: Net profit attributable to equity owners of the Company	156,982,496.60	322,360,736.79
Less: Transfer to statutory reserve fund	–	32,298,953.22
Declaration of dividend	49,956,400.00	–
Dividend of ordinary shares transferred to share capital	<u>–</u>	<u>–</u>
Closing balances of the current year	<u>1,015,873,520.97</u>	<u>908,847,424.37</u>

8 REVENUE AND COST OF SALES

Item	Six months ended 30 June	
	2022	2021
	RMB	RMB
Revenue from principal operation	569,856,989.16	481,810,282.17
Revenue from other operations	1,534,627.27	821,248.88
	<u>569,856,989.16</u>	<u>481,810,282.17</u>
Cost of sales	145,594,637.37	113,373,144.92
	<u>145,594,637.37</u>	<u>113,373,144.92</u>

Revenue and cost of sales (classified by products)

Item	Six months ended 30 June	
	2022	2021
	RMB	RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	569,856,989.16	481,810,282.17
	<u>569,856,989.16</u>	<u>481,810,282.17</u>
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	145,594,637.37	113,373,144.92
	<u>145,594,637.37</u>	<u>113,373,144.92</u>

Revenue and cost of sales (classified by geographical areas)

The geographical areas of the revenue are based on the location of the customers at which the goods are delivered as follows:

Area	Six months ended 30 June	
	2022	2021
	RMB	RMB
The PRC	529,940,616.65	462,107,025.16
Other than the PRC	41,450,999.78	20,524,505.89
	<u>529,940,616.65</u>	<u>462,107,025.16</u>
Total	571,391,616.43	482,631,531.05
	<u>571,391,616.43</u>	<u>482,631,531.05</u>

9 INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2022	2021
	RMB	RMB
Current income tax calculated in accordance with relevant tax laws and regulations	13,034,992.32	24,937,451.36
Deferred income tax	2,379,770.70	1,757,375.56
Total	15,414,763.02	26,694,826.92

Applicable tax rate

Item	Six months ended 30 June	
	2022	2021
Standard tax rates:		
The Company	25%	25%
Shiyue Changsheng (實躍長盛)	25%	25%
Chunli Hangnuo (春立航諾)	25%	25%
Applicable tax rates:		
The Company	15%	15%
Shiyue Changsheng (實躍長盛)	25%	25%
Chunli Hangnuo (春立航諾)	15%	15%

Reconciliation of current income tax expenses to the accounting profit is as follows:

Item	Six months ended 30 June	
	2022	2021
	RMB	RMB
Profit before tax	172,397,259.62	182,250,045.85
Income tax expenses based on statutory/applicable tax rate	25,859,588.94	27,337,506.88
Effect of different tax rate applicable to subsidiaries	187,484.82	717,047.43
Effect of prior income tax reconciliation	(1,659,667.55)	2,299,961.50
Effect of non-deductible costs, expenses and losses	132,201.94	506,659.46
Effect of using the deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	(72,785.52)	—
Effects of additionally deductible research and development costs and others	(9,191,368.39)	(4,283,797.00)
Effect of unrecognized deductible temporary differences or deductible losses of deferred income tax assets in the current period	159,308.79	117,448.65
Income tax expenses	15,414,763.02	26,694,826.92

10 CALCULATION PROCESS OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

Calculation result

Item	Six months ended 30 June	
	2022 RMB	2021 RMB
Earnings per share		
Net profit attributable to equity owners of the Company	<u>0.41</u>	<u>0.45</u>
Diluted earnings per share		
Net profit attributable to equity owners of the Company	<u>0.41</u>	<u>0.45</u>

Calculation process of basic earnings per share

		Six months ended 30 June	
		2022	2021
Net profit attributable to equity owners of the Company (RMB)	A	<u>156,982,496.60</u>	<u>155,555,218.93</u>
Number of shares at beginning of the year	B	<u>384,280,000.00</u>	<u>345,852,000.00</u>
Number of shares issued – Offer Shares	C1	<u>–</u>	<u>–</u>
Number of shares issued – Over-allotment Shares	C2	<u>–</u>	<u>–</u>
Number of shares at closing of the period	C3	<u>–</u>	<u>–</u>
Cumulated months after the increase of shares – Offer Shares	D1	<u>–</u>	<u>–</u>
Cumulated months after the increase of shares – Over-allotment Shares	D2	<u>–</u>	<u>–</u>
Number of months	D3	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares outstanding	$E=B+C1*D1/D3+C2*D2/D3$	<u>384,280,000.00</u>	<u>345,852,000.00</u>
Basic earnings per share (RMB)	$F=A/E$	<u>0.41</u>	<u>0.45</u>

Calculation process of diluted earnings per share

The calculation process of diluted earnings per share is the same as the calculation process of basic earnings per share. As there were no dilutive potential ordinary shares, the diluted earnings per share equal to the basic earnings per share.

11 SEGMENT INFORMATION

The Group is mainly engaged in the manufacture and trading of surgical implants, instruments and related products. Based on the Group's internal organisational structure, management requirements and internal reporting policies, the operation of the Company constitutes one single reportable segment, i.e. manufacturing and trading of surgical implants, instruments and related products, which is under the provisions on segment information in business statements of the "ASBE No. 35 – Segment Reporting" and Accounting Standards for Business Enterprises Bulletin No. 3 and accordingly, no separate segment information is prepared.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2022, the COVID-19 pandemic in China was generally under control but has developed into frequent and sporadic outbreaks in different regions. Nevertheless, China has not departed from its general principle of “dynamic zero-COVID approach”. On 31 March 2022, the Opinion on the Supporting Facilities of the Volume-based Procurement for High-Value Medical Consumables (Artificial Joint) Organized by the State and Its Usage has been issued jointly by the National Healthcare Security Administration and the National Health Commission of the People’s Republic of China. It promotes the stable implementation of the selection outcome of the centralized and volume-based procurement of artificial joint through seven aspects, namely regulating the launch and the price of products, implementing the policy of medical insurance fund prepayment, refining the connection of the policy on the payment of medical insurance fund, implementing the policy of retaining and usage of balance and coordinating the price adjustment on medical services, ensuring the stable supply of products selected, regulating the procurement and usage by medical institutions, and supervising the implementation. The “volume-based procurement” of artificial joint by the state has been implemented in each province progressively.

The orthopedic implant ^(note) market is a segment of the medical device market that has been developing rapidly in recent years. The inclusion of medical devices in medical care insurance coverage under the healthcare reform in the PRC has increased the demand and acceptance for orthopedic implants. Various favorable factors such as aging population, continuous growth in healthcare expenditure and improvements in public healthcare infrastructure have also propelled the growth of the orthopedic implants industry in the PRC.

Due to the wide range of medical device products offered in the medical device industry, the medical device market in the PRC is highly fragmented and most of the manufacturers are relatively small in scale. However, since the orthopedic implant industry has high entry barriers, such as strict regulatory measures on quality control and licensing, high-level of production technology and stringent production process, it is relatively concentrated. The orthopedic implant market is generally divided into three major segments, namely trauma, spine and joint. In particular, the joint implant market is highly concentrated with multinational corporations dominating the market segment. With the advancement of the healthcare reform in the PRC and governmental support to Chinese companies through favourable policies, domestic companies are expected to increase their market share by upgrading their product offerings.

Note: Orthopedic implants refer to medical device products that are used for replacing or as an adjuvant treatment for injured bones and skeleton and implanted into human bodies, including joint implants (such as knee joints, hip joint, shoulder joints and elbow joints), spine implants and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

Comprehensive medical device registration certificates

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

As of 30 June 2022, the Company held 59 medical device registration certificates and recordation certificates in the PRC for the production of medical devices which cover joint prosthesis products for the Company’s four major joints, spinal products and sports medical products, of which 23 are Class III medical device registration certificates, 6 are Class II medical device registration certificate and 30 are Class I medical device recordation certificates. As the PRC adopts a strict product registration system for medical device manufacturing enterprises, the possession of comprehensive product registration certificates and recordation certificates is the key factor for enterprises to be more competitive in the market.

In terms of domestic registration, during the first half of 2022, the Company obtained seven product registration certificates from the NMPA. Such registration certificates further diversified the Company’s product lines and expanded the Company’s layout in the orthopedic field to constantly meet the diversified market and clinical needs. This strengthens the Company’s comprehensive competitiveness and will be conducive to further enhancing the Company’s market expansion capability.

In the field of artificial joint prosthesis, the Company obtained the registration certificate for trabecula acetabular implant. This was the Company’s first 3D-printed trabecular registration certificate, which has expanded the Company’s biological fixed prosthesis product line and further boost the market share of the Company’s artificial hip prosthesis. The Company also obtained the registration certificate for keen joint prosthesis. The tibial plateau impactor and patella parts of the Company are made with vitamin E high-crosslinking ultra-high molecular weight polyethylene materials, which further increases the abrasion resistance of artificial knee joint prosthesis and is the latest generation of polyethylene product for clinical use. The launch of this product by the Company has filled the gap in domestic market and has made the Company’s knee joint prosthesis the best domestic knee joint prosthesis in terms of abrasion resistance. In the long term, it will enhance the abrasion resistance of domestic knee joint prosthesis and increase the market share of the Company’s knee joint prosthesis.

In the field of sports medical product, the Company was also granted three sports medicine registration certificates for PEEK suture anchors, one-off shavers and interface screws. This has further diversified the Company’s sports medical product line and expanded its layout in the sports medical field. This also marked the fundamental completion of the Company’s layout in the field of sports medical products. A complete sports medical product line will be favourable to our products in clinical selection and application and will drive a rapid growth in the sales revenue of sports medical products of the Company.

In terms of international registration, during the first half of 2022, the Company obtained registration certificates from four countries, namely Ukraine, Korea, Peru, and Syria. Meanwhile, the three product series of the Company of hip, knee and spine successfully passed the CE annual system audit and supervision audit. The CE certificates not only serve as proof of the satisfactory performance of our products and their compliance with product safety requirement, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

Obtaining a large number of registration certificates both domestically and internationally during the first half of 2022 is the result of our increased investment in research and development in recent years, serves as the beginning of acceleration in obtaining such certificates, and demonstrates that we are developing from the leading enterprise in artificial joint in PRC to an orthopedics enterprise covering segments like joints, spine, trauma and sports medical rapidly.

Strong research and development capabilities

Our Company is a State-level High and New Technology Enterprise (國家級高新技術企業) and G20 Engineering Enterprise (which is a progressive development advocated by the municipal government in Beijing aiming at promoting the biomedicine industry in Beijing as the backbone of the capital with strategic value). Our research and development team consists of professionals who are post-doctoral researchers or possess Doctorate and Master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovative products and sustainable improvement of research and development.

The Company attaches great importance to the combination of production, academics, research and development and clinical studies while conducting research and development. During the course of our research and development of new products and product improvement, we obtained advice from experts in relevant fields and worked closely together with experts, thereby ensuring that those products under research and development will meet the market demands and fulfill the requirement of clinical practicality. The "Research Program by Multiple Joint Surgical Centres in China" (中國關節外科多中心研究工程) initiated by the Company conducts clinical follow-ups and trackings on the joint prosthesis products developed by us for the purpose of the provision of clinical data for improvements in joint prosthesis and instruments. Currently, over 300 hospitals from 31 provinces in the PRC have joined the research program, which is at present the first large-scale domestic program for follow-ups and trackings focused on the clinical effectiveness of joint prosthesis.

The Company was named the “Beijing Engineering Laboratory of Joint Prosthesis” (人工關節北京市工程實驗室) by the Beijing Municipal Development and Reform Commission (北京市發展和改革委員會), and received the CNAS Laboratory Accreditation Certificate (Registration No. CNASL14515) issued by the China National Accreditation Service for Conformity Assessment in March 2021. In June 2022, the inspection center passed the additional assessment from the China National Accreditation Service for Conformity Assessment. A total of 21 qualification assessments have been passed, covering the fields like four major joints categories (hip, knee, shoulder, and elbow), spine and dentistry, and sports medical. Chunli Medical Inspection Center will accelerate the research and development progress of the new products of the Company, and will further improve the safety and scientific application of new product designs.

In June 2020, the “Porous Tantalum Bone Repair Material and Implantable Product Development and Clinical Application” project (the “**Project**”) that the Company took the lead in the application of was approved by the Ministry of Science and Technology of the PRC as a key special project under the 2020 national key research and development program – “Research and Development of Bio-medical Materials and Repair and Replacement of Tissues and Organs”. This project is carried out by our Company in conjunction with renowned universities, scientific research institutes, clinical hospitals and enterprises in the PRC, which will promote the synergy and innovation of production, academics, research and development and clinical studies, and accelerate the introduction of our Company’s high-end medical devices to the market. As of 30 June 2022, notifications of acceptance were issued by the National Medical Products Administration for two products under the Project, namely “tantalum metal trabecula fillings” (鈮金屬骨小梁填充塊) and “lumbar cage – porous tantalum metal” (椎間融合器–多孔型鈮金屬), and both products have entered the review and approval stage for registration.

As of 30 June 2022, there were two postdoctoral scientific researchers at the Company’s postdoctoral scientific research workstation. During the first half of 2022, the Company’s postdoctoral scientific research workstation was granted projects, including the Chinese Postdoctoral Science Foundation’s “Study of Ceramic Composite Modification on the Surface of Medical Zirconium Alloy and Its Performance” (醫用鋯合金表面陶瓷複合化改性及其服役性能研究), Beijing’s funded postdoctoral research project of “Study on the Design of Multi-layer Film Structure and Frictional Wear Behavior on the Surface of Tantalum-Modified Biomedical Titanium Alloy” (鈮改性生物醫用鈦合金表面的多層膜結構設計及摩擦磨損行為研究), and State Key Laboratories’ open topic of “Study of the Production Technology of In-situ Autogenous Ceramic Oxide Layer on Biomedical Zirconium Alloy Surface and Its Performance” (生物醫用鋯合金表面原位自生氧化陶瓷層的製備技術及其性能研究). The “Tantalum Modified Biomedical Titanium Alloy Material Research Results Transformation Project (鈮改性生物醫用鈦合金材料研究成果轉化項目)”, a science and technology achievement transformation project of Tongzhou District, Beijing, has been concluded. During the first half of 2022, our postdoctoral scientific research workstation was granted Beijing’s funded postdoctoral research project of “The Preparation of Layer with High Bone-inducing Activity for Bone Interface” (骨界面高誘骨活性塗層的製備). Underpinned by our national-level postdoctoral research workstation, the Company will enhance the comprehensive strength of its R&D team, accelerate the progress of R&D of high-end medical device products and promote the launch of new products.

As of 30 June, 2022, the Company had obtained 358 domestic intellectual properties, including 60 invention patents, 287 utility model patents, 3 design patent and 8 software copyrights. The abundant patent licenses manifest the Company's innovation ability and core competitiveness. China National Intellectual Property Administration announced the results for the 23rd China Patent Award, the "New Axis Knee Joint Prosthesis" of the Company has been awarded the Outstanding Award of the China Patent Award. China Patent Award is the highest national accolade in the field of intellectual property, and getting the award demonstrates the level of patent technology and innovation of the Company, it is also a recognition of the Company's patent market transformative value, patent protection and patent management.

Advanced ceramic joint prosthesis products

In April 2015, the Company became the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of BIOLOX[®]*delta* ceramic joint prosthesis products, covering both half-ceramics and full ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. BIOLOX[®]*delta*, being the latest ceramic product of CeramTec, which is a German company, has the clinical advantages of lower abrasion rate and better strength and durability, and can be widely used in hip joint replacement surgeries. In May 2020, our Company's BIOLOX[®]OPTION ceramic head product with cone sleeve was approved and launched into the market, making it the first company in the PRC to have the registration certificate for such ceramic head. For the BIOLOX[®]OPTION ceramic head with cone sleeve, the exterior is a ceramic ball head made of BIOLOX[®]*delta* high-tech ceramics with excellent wear performance, and the interior is a Ti6Al4V titanium alloy cone sleeve. It can be used for primary hip joint replacement and revision surgery, and significantly improves the surgical indications of ceramic ball heads, thus promoting the sales of our Company's high-end ceramic hip joint prostheses.

After the launch of ceramic joint prosthesis products to the market, the Company held numerous interactive activities such as academic conferences, doctor training sessions and distributor training sessions across the PRC, so that our clients (including doctors and distributors) are able to familiarize with the usage of our ceramic products.

As the tender offerings, re-tenderings or registrations with hospitals for the Company's ceramic joint prosthesis products in various provinces proceed gradually, there will be more hospitals in the PRC using the Company's ceramic joints prosthesis products.

New products and new technologies

The Company has continued to promote DAMIS (Direct Anterior Minimally Invasive Surgery) and has yielded significant results, which in turn stimulated the sales of our minimal invasive products. The training centres for DAMIS have been set up in numerous hospitals across the PRC and a national project called “DAMIS Thousand Talents Program” (DAMIS千人計劃) has been launched to provide training for DAMIS in the next three years to a thousand doctors, who specialised in joint-related surgeries. During the reporting period, the Company is devoted to the continuous promotion of medium-to-high-end products, such as the new XN series knee joint and ceramic joint prosthesis products, the growth of which contributed to the sales amount and enhanced the Company’s brand as a whole.

As of 30 June 2022, twelve products of the Company obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書) jointly issued by six units including Beijing Municipal Science and Technology Commission (北京市科學技術委員會). Among which, seven products of the Company, namely CF posterior spinal fixation device, non-absorbable suture anchors, single knee prosthesis, Co-Cr-Mo hip prosthesis, metal cable fixation systems, ceramic hip joint prostheses for revision purpose, and elbow joint prosthesis obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書), the certificate numbers are XCP2021SY0382, XCP2021SY0383, XCP2021SY0384, XCP2021SY0388, XCP2021SY0387, XCP2021SY0385, and XCP2021SY0386, respectively. This fully demonstrates the Company’s strengths in product and technology innovation, and also reflects the high recognition of the Company’s product innovation and technology innovation by the society.

The “Typical Application Scenario of Mass Customization” project of the Company is included in the national “List of Outstanding Scenario for Smart Manufacturing 2021”. The Company has been awarded Beijing “Specialized, Excellent, Featured and Innovative” Small and Medium-sized Enterprises (Number: 2022ZJTX0032) and Beijing Specialized, Excellent, Featured and Innovative “Little Giant” Enterprise (Number: 2022XJR0038) by the Beijing Municipal Bureau of Economy and Information Technology. This demonstrates the recognition on smart manufacture of the Company by the state, and a recognition on the economic efficiency, level of professionalism, ability on innovation and operation management of the Company.

Extensive distribution and sales network

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

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB571.4 million for the six months ended 30 June 2022, an increase of 18.39% as compared to approximately RMB482.6 million for the same period last year. The “volume-based procurement” policy to joint prosthesis products was one of the favourable factors leading to the growth in the sales volume of such products, and the continuous increase in the sales volume for spinal products and sports medical products also contributed to the growth.

The revenue of our major products compared with that of the previous year is as follows:

Product category	Six months ended 30 June		Growth over corresponding period
	2022 (RMB'000)	2021 (RMB'000)	
Joint prosthesis products	524,208	462,134	13.43%
Spinal products	41,105	18,535	121.77%
Sports medical products	4,544	1,141	298.25%
Other businesses	1,535	821	86.97%
Total	571,392	482,631	18.39%

Gross profit

For the six months ended 30 June 2022, the Company achieved a gross profit of approximately RMB425.8 million, an increase of 15.3% from approximately RMB369.3 million from the same period of last year, which was mainly attributable to the growth in the sales of joint prosthesis products, spinal products and sports medical products.

For the six months ended 30 June 2022, the Company achieved a gross profit margin of 74.52%, a decrease of 1.99% as compared to 76.51% from the same period of last year, which was mainly attributable to 1) increase in prices of certain raw materials, which leads to an increase in unit cost; and 2) the centralized procurement policy leads to the decrease in the unit price of relevant products of the Company.

Selling expenses

For the six months ended 30 June 2022, the Company's selling expenses was approximately RMB155.0 million, an increase of 8.68% from approximately RMB142.6 million from the same period of last year, which was mainly attributable to the Company's enhancement in marketing efforts to raise its brand influence and awareness.

Administrative expenses

For the six months ended 30 June 2022, the Company's administrative expenses was approximately RMB15.5 million, an increase of 13.54% from approximately RMB13.6 million from the same period of last year, which is mainly attributable to the depreciation of fixed assets.

Research and development expenses

For the six months ended 30 June 2022, the Company's research and development expenses was approximately RMB72.3 million, an increase of 111.19% from approximately RMB34.2 million from the same period of last year. Our research and development expenses in the first half of 2022 accounted for 12.65% of the revenue. The main reason for the significant increase in research and development expenses is that the Company has increased its investment in research and development amid domestic volume-based procurement of artificial joint and kick-started various high-precision projects and new business segments, such as joint robot, PRP, sports medicine and dentistry. Developments in these projects and fields will bring revenue growth to the Company.

Impairment loss of credits

For the six months ended 30 June 2022, the Company's impairment loss of credits was approximately RMB14.3 million, an increase of 49.07% from approximately RMB9.6 million from the same period of last year, which was mainly attributable to the increase in our sales income and accounts receivable and the provision made for the impairment of accounts receivable according to the policy for bad debt provision.

Income tax expenses

For the six months ended 30 June 2022, the Company's income tax expenses was approximately RMB15.4 million, a decrease of 42.26% from approximately RMB26.7 million from the same period of last year, which was mainly attributable to the increase in additional deduction of research and development expenses.

Net profit

For the six months ended 30 June 2022, the Company achieved a net profit of RMB157.0 million, an increase of 0.92% from approximately RMB155.6 million from the same period of last year. The increase in net profit was mainly because, under the national centralized procurement, prices of the products of the Company included in the centralized procurement experienced a certain degree of reduction. Against this backdrop, the Company managed to maintain a stable increase in its net profit through measures such as internal cost saving and efficiency enhancement, active exploration of overseas markets and establishment of marketing network, and price reduction of relevant products in return for an increase in its sales volume.

Liquidity and capital resources

The Company's liquidity decreased from approximately RMB1,736.5 million for the year ended 31 December 2021 to approximately RMB1,106.9 million for the six months ended 30 June 2022.

The Company's principal sources of liquidity are generated from our operations and the proceeds from the issue of A shares and H shares. The Board is of the opinion that we have sufficient resources to support our management and to meet our foreseeable capital expenditure demands.

Use of proceeds from the global offering

The H shares of the Company were listed on the Main Board on 11 March 2015 with net proceeds received by the Company from the global offering in the amount of approximately RMB185.86 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 February 2015.

Use of Proceeds from Issue of H Shares	Proportion	Amount available (RMB million)	Expense as of 30 June 2022 (RMB million)	Outstanding amount as of 30 June 2022 (RMB million)	Expected timeline for the application of the unutilized proceeds
First-installment expense for the development of Daxing New Production Base	50%	92.93	87.25	5.68	By 31 December 2022
Research and development activities	20.20%	37.55	21.59	15.96	By the first half of 2023
Expansion of our existing marketing and distribution network, in order to enhance our market penetration with coverage of more distributors and hospitals for increment of market share	20%	37.17	37.17	0.00	
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00	
Total	100%	185.86	164.22	21.64	

Use of Proceeds from the Listing on the Science and Technology Innovation Board

Upon the approval of the listing committee of the Science and Technology Innovation Board of the Shanghai Stock Exchange and pursuant to the document for the approval of registration Zheng Jian Xu Ke (2021) No. 3702 (證件許可(2021) 3702號) issued by the China Securities Regulatory Commission, on 30 December 2021, the Company completed the A Share offering of 38,428,000 A Shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange at an issue price of RMB29.81 per share, raising gross proceeds of RMB1,145,538,680.00 through the A Share. After deducting the issue expenses of RMB78,410,387.77, the actual net proceeds from the A Share offering amounted to RMB1,067,128,292.23. The net proceeds from the initial public offering of A Shares have been and will be used in accordance with the uses described in the Company's A Share offering prospectus dated 14 December 2021 and the Company's announcement dated 18 January 2022.

Unit: RMB'000

Use of Proceeds from Issue of A Shares	Balance of proceeds raised as of 31 December 2021	Amount of funds replaced with proceeds raised	Amount of purchase of wealth management products	Amount of proceeds used during the period	Handling fee	Interests from wealth management products	Reserve balance	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials	460,000.00	110,121.11	329,878.89	3,701.40	0.05	3,141.24	19,439.79	August 2024
Research and development centre construction project	359,998.80	17,955.62	85,000.00	7,923.32	0.45	3,909.36	253,028.77	December 2024
Marketing network construction project	80,000.00	138.60	0.00	884.11	0.17	723.83	79,700.95	December 2024
Replenishment of working capital	175,858.67	0.00	0.00	175,919.08	2.79	1,429.89	1,366.69	N/A
Subtotal	<u>1,075,857.47</u>	<u>128,215.33</u>	<u>414,878.89</u>	<u>188,427.92</u>	<u>3.46</u>	<u>9,204.32</u>	<u>353,536.20</u>	

Note 1: The total amount of proceeds raised from A Share by the Company was RMB1,145,538,700, after deducting the overall issue expenses of A Share of the Company of RMB78,410,400 and utilized amount of proceeds raised in prior years of RMB1,200, the balance of proceeds of A Share in the beginning of the year was RMB1,067,127,100. As of 31 December 2021, RMB8,730,400 of issue expenses of A Share remained unpaid and the balance in the account of the proceeds raised for A Share was RMB1,075,857,500.

Note 2: From January to June 2022, the Company utilized the idled capital raised through A Share to purchase wealth management related products amounted to RMB414,878,900, of which RMB385,000,000 was structured deposit wealth management products and RMB29,878,900 was seven-day deposits.

Note 3: On 24 February 2022, the 18th meeting of the Fourth Session of the Board of Directors and the 5th meeting of the Fourth Session of the Board of Supervisors of the Company considered and approved the Proposal on the Replacement of the Pre-invested Internal Funds with the Proceed Raised, respectively, and agreed that the Company should use the proceed raised from A Share to replace the internal funds pre-invested in investment projects that utilize proceeds raised from A Share. The total amount of funds replaced was RMB128,215,300. The aforesaid items meet the requirements for replacement of funds to be made within six months after receipt of funds raised through A Share.

Inventory

The Company's inventory increased from approximately RMB159.7 million for the year ended 31 December 2021 to approximately RMB182.3 million for the six months ended 30 June 2022, which was mainly attributable to the reserve of inventory according to market needs.

Fixed assets and construction in progress

The Company's fixed assets and construction in progress increased by 14.45%, from approximately RMB392.9 million for the year ended 31 December 2021 to approximately RMB449.7 million as at 30 June 2022, which was mainly attributable to the increase in our investment in the acquisition of production facilities and construction works.

Net current assets

The Company's net current assets increased from approximately RMB2,008.14 million for the year ended 31 December 2021 to approximately RMB2,058.69 million as at 30 June 2022, which was mainly attributable to the increase in accounts receivable.

Working capital and financial resources

Cash flow analysis

As at 30 June 2022, net cash outflow generated from operating activities was approximately RMB81.5 million. During the period, the Company further enhanced its market share and product competitiveness, expanded its marketing channels, and strengthened its research and development capabilities, thus there was an increase in cash payment for expenses such as selling expenses and research and development expenses and an increase in receivables. These serve as the main reasons for the occurrence of a net cash outflow. Our net cash outflow generated from investment activities was approximately RMB510.4 million, which was mainly due to the addition of investments of wealth management purposes; our net cash outflow generated from financing activities was approximately RMB38.1 million, which was mainly due to the cash bonus for 2021 distributed during the reporting period; and our cash and cash equivalents decreased by approximately RMB629.6 million as compared to the end of last year.

Capital expenditure

The Company's capital expenditure was mainly used in the expansion of New Production Base and the acquisition of production facilities.

Contingent liabilities or guarantees

As of 30 June 2022, the Company did not have any significant contingent liabilities or guarantees.

Other disclosures

Details of subscription of structured deposit wealth management products as at 30 June 2022: On 28 April 2022, the Company used idle funds generated from its ordinary operation and temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB120 million from the Bank of Beijing (Fangzhuang Branch). The expected annual rate of return of such products was 1.35% or 3.04%. On the same date, the Company subscribe for principal-guaranteed floating-return structured deposit products from the Bank of Beijing (Daxing Branch) with a principal amount of RMB250 million by using the temporary idle proceeds from the public issuance of A shares. The expected annual rate of return of such products were 1.35% or 3.04%.

On 9 June 2022, the Company used idle funds generated from its ordinary operation and temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB120 million from the Bank of Beijing (Fangzhuang Branch). The expected annual rate of return of such products was 1.35% or 3.04%.

On 29 June 2022, the Company used temporary idle proceeds raised from the public issuance of A Shares to subscribe for principal-guaranteed floating-return structured deposit wealth management products with a principal amount of RMB248 million from China Construction Bank (Daxing Branch). The expected annual rate of return of such products was 1.60% to 3.15%.

The Company's subscription of the structured deposit products by reasonably and effectively using portions of its temporary idle funds (including funds generated from ordinary operation and proceeds from the public issuance of A shares) is beneficial to enhancing the overall capital gain of the Group, and is consistence with the principles of the Company to safeguard its capital and ensure liquidity. For details, please refer to the announcements of the Company dated 28 April 2022, 9 June 2022 and 29 June 2022.

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

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

Diversify our product series

The Company will continue to optimise and modify our existing products, and keep abreast of the technology development of the joint prosthesis sector and invest more resources in the research and development of new products. The Company will develop more products catering for patients' needs through the application of new materials and the improvement of production processes, in order to build a more comprehensive product series and to achieve product diversification. With our technical expertise, we will continue to diversify and expand the development of joint prosthesis products, knee joint prosthesis products, spinal products and sports medical products.

The Company is currently developing a new customized joint prosthesis product called advanced and individualized joint prosthesis. It is an advanced model of the conventional custom joint prosthesis products with the use of advanced technologies such as 3D reconstruction on the basis of the Chinese skeleton database (中國國民骨骼數據庫). The existing custom joint prosthesis products mainly target patients suffering from bone tumor and joint revision whereas the advanced, customized and individualized joint prosthesis products have a wider range of application. They are high-end products that can better analyse and cater for specific needs of patients. As such, the Company believe that advanced, customized and individualized joint prosthesis products can generate higher profit margins. In recent years, the relevant regulations issued by the NMPA are also more conducive to the development of customized prostheses. We will take this opportunity to promote the rapid development of patents for customized and individualized products.

Strengthen our innovation ability and increase the research and development resources

In the future, the Company shall continue our focus on the research and development of standard joint prosthesis products, advanced customized and individualized joint prosthesis products, spinal products and sports medical products. The Company plan to establish a product research and development center at our Daxing New Production Base, which is expected to consist of standard joint prostheses department, spinal products department, orthopedic trauma product department, biomechanics center and orthopedic devices standardization research and development center. Meanwhile, the Company would attract more research and development talents to join our research and development team. In addition, under the support of the academician and expert workstation, post-doctoral scientific research workstation and Beijing Municipal Enterprise Technology Centre, the Company will focus on cultivating the research and development standards and innovation capabilities of research and development personnel, while continuously optimizing the allocation of research and development resources and iterating on corporate innovation mechanism. The Company can also take advantage of Beijing Municipal Enterprise Technology Centre, post-doctoral scientific research and development workstation and academician and expert workstation to strengthen cooperation with renowned medical institutions in the PRC in order to enhance our professional knowledge, technology and competitiveness.

Expand our brand influence

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

Talent development and incentives

The Company will continue to adhere to our existing talent development policy while establishing a new training system for talent development and attracting high quality talents with competitive remuneration system. On the other hand, the Company have established an effective incentive and appraisal system to motivate the work initiative and enthusiasm of employees.

EMPLOYEE

As at 30 June 2022, the Company had approximately a total of 1,207 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. For the six months ended 30 June 2022, the total salaries and related costs paid to our employees were approximately RMB101.6 million. The Company enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

Our Company has committed to maintaining a high standard of corporate governance. The Board believes that, the high standard of corporate governance provides a framework for the Group to safeguard shareholder interest, enhance enterprise value, formulate its business strategy and policy, and is essential to enhancing the transparency and accountability. Our Company has adopted the principles and code provisions of the Corporate Governance Code (“**CG Code**”) set out in Appendix 14 to the Hong Kong Listing Rules. The Board considers that during the reporting period, the Company complies with all the code provisions contained in the CG Code.

COMPLIANCE WITH MODEL CODE

Our Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct for directors' and supervisors' securities transactions. Having made specific enquiry with the directors and supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2022.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

WUYIGE Certified Public Accountants LLP has reviewed the relevant financial statements.

The Audit Committee of the Board has reviewed our Company's consolidated financial statements for the six months ended 30 June 2022, including the accounting principles and practices applied.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This results announcement is published on our Company's website (www.clzd.com) and the HKExnews website of the Stock Exchange (www.hkexnews.hk).

The Company's 2022 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the Company's website and the HKExnews website of the Stock Exchange in due course.

On behalf of the Board
Beijing Chunlizhengda Medical Instruments Co., Ltd.*
Chairman
Shi Wenling

Beijing, the PRC, 25 August 2022

As at the date of this announcement, the executive Directors of the Company are Ms. Shi Wenling, Mr. Shi Chunbao, Ms. Yue Shujun and Mr. Xie Feng Bao; the non-executive Director of the Company is Mr. Wang Xin; and the independent non-executive Directors of the Company are Mr. Ge Changyin, Mr. Weng Jie and Mr. Wong Tak Shing.