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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 liabilities*)
(**Stock Code: 1858**)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Beijing Chunlizhengda Medical Instruments Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 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 People’s Republic of China (“**PRC**” or “**China**”)’s Accounting Standards.

* For identification purposes only

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	Notes	As at 31 December 2022	As at 31 December 2021
		<i>RMB</i>	<i>RMB</i>
Current Assets:			
Monetary funds		957,193,661.02	1,736,493,995.38
Held-for-trading financial assets		767,727,534.25	–
Derivative financial assets		–	–
Notes receivable		278,639,012.00	127,595,937.14
Accounts receivable	2	488,746,494.02	400,193,012.58
Accounts receivable financing		–	–
Prepayment		12,699,528.18	7,656,146.95
Other receivables		675,810.93	4,489,954.17
Including: Interests receivable		–	–
Dividends receivable		–	–
Inventories		259,789,488.85	159,677,359.96
Contract assets		–	–
Assets held-for-sale		–	–
Non-current assets due within one year		–	–
Other current assets		13,617,453.61	11,657,475.04
Total current assets		2,779,088,982.86	2,447,763,881.22
 Non-current assets:			
 Debt investments			
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Other investments in equity instruments		–	–
Other non-current financial assets		–	–
Investment property		–	–
Fixed assets		278,294,518.06	111,389,835.89
Construction in progress		185,101,678.99	281,558,992.24
Productive biological assets		–	–
Oil & gas assets		–	–
Right-of-use assets		1,875,408.53	1,798,726.19
Intangible assets		138,167,738.59	131,974,040.11
Development expenditures		–	–
Goodwill		–	–
Long-term prepayments		–	128,333.51
Deferred income tax assets		25,761,809.04	22,882,542.60
Other non-current assets		1,476,554.84	2,161,009.69
Total non-current assets		630,677,708.05	551,893,480.23
Total assets		3,409,766,690.91	2,999,657,361.45

Item	Notes	As at	As at
		31 December	31 December
		2022	2021
		RMB	RMB
Current liabilities:			
Short-term borrowings		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable	3	237,786,563.39	142,415,529.82
Advances received		—	6,992,973.01
Contract liabilities		85,681,592.64	59,540,669.01
Employee remuneration payable		69,723,670.57	46,267,095.42
Taxes payable		53,550,224.66	32,302,495.73
Other payables		72,509,089.96	75,055,164.38
Non-current liabilities due within one year		688,285.72	1,226,469.52
Other current liabilities		75,865,112.99	75,818,491.35
Total current liabilities		595,804,539.93	439,618,888.24
Non-current liabilities:			
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred shares		—	—
Perpetual bonds		—	—
Lease liabilities		625,860.19	—
Long-term payables		—	—
Long-term employee remuneration payable		—	—
Estimated liabilities		—	—
Deferred gains		85,757,219.55	85,558,271.60
Deferred income tax liabilities		7,879,291.52	5,402,815.13
Other non-current liabilities		—	—
Total non-current liabilities		94,262,371.26	90,961,086.73
Total liabilities		690,066,911.19	530,579,974.97

Item	<i>Notes</i>	As at	
		31 December	31 December
		2022	2021
		RMB	RMB
Shareholders' equity:			
Share capital	3	384,280,000.00	384,280,000.00
Other equity instruments		—	—
Including: Preferred shares		—	—
Perpetual bonds		—	—
Capital reserve	4	1,051,228,272.24	1,051,228,272.24
Less: treasury shares		7,140,352.41	—
Other comprehensive income		—	—
Specific reserve		—	—
Surplus reserve	6	154,599,501.79	124,721,689.87
Undistributed profits	7	1,136,732,358.10	908,847,424.37
Total interests attributable to shareholders of the Parent Company		2,719,699,779.72	2,469,077,386.48
Minority interests		—	—
Total shareholders' equity		2,719,699,779.72	2,469,077,386.48
Total liabilities and/or shareholders' equity		3,409,766,690.91	2,999,657,361.45
Net current assets		2,183,284,442.93	2,008,144,992.98
Total assets less current liabilities		2,813,962,150.98	2,560,038,473.21

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item	Notes	Year ended 31 December	
		2022 <i>RMB</i>	2021 <i>RMB</i>
I. Revenue			
Less: Operational costs	8	1,201,604,254.24	1,108,139,520.61
Taxes and surcharge	8	288,077,700.15	253,599,079.82
Selling expenses		13,329,225.47	9,201,726.41
Administrative expenses		391,469,329.37	342,054,758.63
Research and development expenses		38,838,523.14	30,670,756.87
Financial expenses		162,340,798.73	104,843,140.53
Including: Interest expenses		(20,174,984.64)	(9,642,225.54)
Interest proceeds		16,856,281.66	10,755,551.89
Add: Other gains		15,188,713.80	17,454,245.21
Investment income (losses will be shown with “-” sign)		6,748,241.12	—
Including: Investment income from			
associates and joint ventures		—	—
Gains from derecognition of financial assets measured at amortised cost		—	—
Gains (losses will be shown with “-” sign) on net exposure hedges		—	—
Gains (losses will be shown with “-” sign) from changes of fair value		9,490,657.53	—
Impairment loss of credit		(16,817,536.36)	(16,774,803.06)
Impairment loss of assets		(13,450,279.09)	(10,514,927.19)
Gains (losses will be shown with “-” sign) on disposal of assets		25,305.66	14,856.74
II. Operational profit (losses will be shown with “-” sign)			
Add: Non-operating income		328,908,764.68	367,591,655.59
Less: Non-operating expenses		10,279,815.40	138,939.72
		2,308,813.65	351,871.90

Item	Notes	Year ended 31 December	
		2022 RMB	2021 RMB
III. Total profit (losses will be shown with “-” sign)		336,879,766.43	367,378,723.41
Less: Income tax expenses	9	29,160,620.78	45,017,986.62
IV. Net profit (losses will be shown with “-” sign)		307,719,145.65	322,360,736.79
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (losses will be shown with “-” sign)		307,719,145.65	322,360,736.79
2. Net profit attributable to ceased operations (losses will be shown with “-” sign)		—	—
(II) Categorized by ownership:			
1. Net profit attributable to shareholders' of the Parent Company (losses will be shown with “-” sign)		307,719,145.65	322,360,736.79
2. Minority profit or loss (losses will be shown with “-” sign)		—	—
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to shareholders of the Parent Company		—	—
(II) Net other comprehensive income after tax attributable to minority shareholders		—	—
VI. Total comprehensive income		307,719,145.65	322,360,736.79
(I) Total comprehensive income attributable to shareholders of the Parent Company		307,719,145.65	322,360,736.79
(II) Total comprehensive income attributable to the minority shareholders		—	—
VII. Earnings per share			
(I) Basic earnings per share		0.80	0.93
(II) Diluted earnings per share		0.80	0.93

NOTES:

1 GENERAL

History and development

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter referred to as the “**Company**”) was established as a limited liability company 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. Pursuant to the Listing, 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 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 Listing Rules and by the Hong Kong Companies Ordinance which for the year ended 31 December 2021 continued 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 China Accounting Standards for Business Enterprises (“**ASBE**”) issued by the Ministry of Finance of the PRC (“**MOF**”), the related specific standards, the Accounting Standards for Business Enterprises Application Guidance, China Accounting Standards for Business Enterprises Bulletins and other relevant regulations (hereinafter referred to as “China Accounting Standards for Business Enterprises”, “**CASBE**”).

In preparing the financial statements of the Company for the year ended 31 December 2022, the Group has adopted all of the new and revised CASBE issued by MOF that are effective for the financial year beginning on 1 January 2022 and for the year ended 31 December 2022.

2 ACCOUNTS RECEIVABLE

Categories of trade receivables:

Item	Amount (RMB)	Individually significant and for which provision is individually assessed	Determining provision for bad debts by group basis	By credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As of 31 December 2021							
Carrying amount	—	439,389,881.57	439,389,881.57	439,389,881.57	—	439,389,881.57	
Provision	Amount (RMB)	—	39,196,868.99	39,196,868.99	39,196,868.99	—	39,196,868.99
Net amount	—	400,193,012.58	400,193,012.58	400,193,012.58	—	400,193,012.58	
As of 31 December 2022							
Carrying amount	—	540,695,593.77	540,695,593.77	540,695,593.77	—	540,695,593.77	
Provision	Amount (RMB)	—	51,949,099.75	51,949,099.75	51,949,099.75	—	51,949,099.75
Net amount	—	488,746,494.02	488,746,494.02	488,746,494.02	—	488,746,494.02	

Credit risk characteristics group:

Aging	As at 31 December 2022				As at 31 December 2021			
	Carrying amount		Provision		Carrying amount		Provision	
	Amount RMB	Percentage %	Amount RMB	Percentage %	Amount RMB	Percentage %	Amount RMB	Percentage %
Within one year	446,765,286.47	82.63	22,338,264.32	394,752,712.16	89.84	19,737,635.60		
1 to 2 years	71,233,409.68	13.17	10,685,011.45	26,289,006.27	5.98	3,943,350.94		
2 to 3 years	7,542,147.29	1.39	3,771,073.65	5,664,561.39	1.29	2,832,280.70		
More than 3 years	15,154,750.33	2.80	15,154,750.33	12,683,601.75	2.89	12,683,601.75		
Total	540,695,593.77	100.00	51,949,099.75	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 31 December 2022 RMB	As at 31 December 2021 RMB
Purchasing of materials	166,360,323.15	77,662,764.86
Purchasing of machinery and equipment	71,426,240.24	64,752,764.96
Total	237,786,563.39	142,415,529.82

Aging analysis of accounts payable is as follows:

Item	As at 31 December 2022 RMB	As at 31 December 2021 RMB
Within 1 year (inclusive)	233,129,239.02	137,123,856.34
More than 1 year	4,657,324.37	5,291,673.48
Total	237,786,563.39	142,415,529.82

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

	Number of shares	RMB
Ordinary shares of RMB1.00 each		
As at 31 December 2021 and 31 December 2022		
Overseas listed foreign shares (H shares)	95,852,000	95,852,000.00
RMB ordinary shares	288,428,000	288,428,000.00
	384,280,000	384,280,000.00

For the year ended 31 December 2022, the Company repurchased an aggregate of 711,500 H shares (2021: nil), which were not cancelled as at the date of this announcement, on the Stock Exchange at a total consideration of HK\$8,137,124.52 (equivalent to RMB7,140,352.41).

5 CAPITAL RESERVE

Item	As at	
	31 December 2022 RMB	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	
	31 December 2022 RMB	31 December 2021 RMB
Statutory surplus reserve	<u>154,599,501.79</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 as per 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	
	31 December 2022 RMB	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	307,719,145.65	322,360,736.79
Less: Transfer to statutory reserve fund	29,877,811.92	32,298,953.22
Dividend declared	49,956,400.00	–
Dividend of ordinary shares transferred to share capital	–	–
Closing balances of the current year	<u>1,136,732,358.10</u>	<u>908,847,424.37</u>

8 REVENUE AND COST OF SALES

Item	Year ended 31 December	
	2022 RMB	2021 RMB
Revenue from principal operation	1,199,022,478.54	1,107,229,430.90
Revenue from other operations	2,581,775.71	910,089.71
Cost of sales	287,603,281.72	253,599,079.82

Revenue and cost of sales (classified by products)

Item	Year ended 31 December	
	2022 RMB	2021 RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	1,199,022,478.54	1,107,229,430.90
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	287,603,281.72	253,599,079.82

Revenue and cost of sales (classified by geographical areas)

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

Area	Year ended 31 December	
	2022 RMB	2021 RMB
The PRC	1,089,981,272.69	1,056,156,083.00
Other than the PRC	109,041,205.85	51,983,437.61
Total	1,199,022,478.54	1,108,139,520.61

9 INCOME TAX EXPENSES

Item	Year ended 31 December	
	2022 RMB	2021 RMB
Current income tax calculated in accordance with relevant tax laws and regulations	29,563,410.83	45,519,863.03
Deferred income tax	(402,790.05)	(501,876.41)
Total	29,160,620.78	45,017,986.62
Applicable tax rates		
Item	Year ended 31 December	
	2022	2021
<i>Standard tax rates:</i>		
The Company	25%	25%
Shiyue Changsheng (實躍長盛)	25%	25%
Chunli Hangnuo (春立航諾)	25%	25%
<i>Applicable tax rates:</i>		
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	Year ended 31 December	
	2022 RMB	2021 RMB
Profit before tax	336,879,766.43	367,378,723.41
Income tax expenses based on statutory/applicable tax rate	50,531,964.96	55,106,808.51
Effect of different tax rate applicable to subsidiaries	(45,175.73)	(132,389.03)
Effect of prior income tax reconciliation	(1,647,579.77)	2,364,244.04
Effect of non-deductible costs, expenses and losses	420,096.25	826,879.83
Effect of using deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	(560.87)	–
Effects of additional deduction of research and development costs and others	(20,684,735.46)	(13,591,132.90)
Effect of deductible temporary differences or deductible losses not recognised in the current period	586,611.40	443,576.17
Effect of deferred income	–	–
Income tax expenses	29,160,620.78	45,017,986.62

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

Calculation result

Item	Year ended 31 December	
	2022 RMB	2021 RMB
Earnings per share		
Net profit attributable to equity owners of the Company	<u>0.80</u>	<u>0.93</u>
Diluted earnings per share		
Net profit attributable to equity owners of the Company	<u>0.80</u>	<u>0.93</u>
Net profit attributable to equity owners of the Company (RMB)	<u>A</u> <u>307,719,145.65</u>	<u>322,360,736.79</u>
Number of shares at beginning of the year	<u>B</u> <u>384,280,000.00</u>	<u>345,852,000.00</u>
Number of shares issued – Offer Shares	<u>C1</u> <u>–</u>	<u>38,428,000.00</u>
Number of shares issued – Over-allotment Shares	<u>C2</u> <u>–</u>	<u>–</u>
Number of shares at closing of the period	<u>C3</u> <u>384,280,000.00</u>	<u>384,280,000.00</u>
Cumulated months after the increase of shares – Offer Shares	<u>D1</u> <u>–</u>	<u>–</u>
Cumulated months after the increase of shares – Over-allotment Shares	<u>D2</u> <u>–</u>	<u>–</u>
Number of months	<u>D3</u> <u>12</u>	<u>12</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>0.80</u>	<u>0.93</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, internal reporting policies, the operation of the Company constitutes one single reportable segment, i.e. manufacture 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.

12 SUBSEQUENT EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the COVID-19 pandemic in China was generally under control but then developed into frequent and sporadic outbreaks in different regions, and it was still affecting the development of various industries. On 31 March 2022, the “Opinion on the Centralized Volume-based Procurement for High-Value Medical Consumables (Artificial Joint) Organized by the State and the Usage of Supporting Facilities” (《關於國家組織高值醫用耗材(人工關節)集中帶量採購和使用配套措施的意見》) was issued jointly by the National Healthcare Security Administration and the National Health Commission. It promotes the stable implementation of the selection result for the centralized procurement of artificial joints in seven aspects, namely regulating the launch and the price of products, implementing the policy on medical insurance fund prepayment, refining the connection of the policy on medical insurance fund payment, implementing the policy on retaining and using the balance and coordinating the price adjustment of medical services, ensuring the stable supply of products selected, regulating procurement and usage by medical institutions, and supervising the implementation. The “volume-based procurement” of artificial joints by the state has been implemented in various provinces progressively. On 11 July 2022, the Office of Joint Procurement for High-Value Medical Consumables Organized by the State (國家組織高值醫用耗材聯合採購辦公室) issued the “Announcement on the Centralized Volume-based Procurement of Orthopedic and Spinal Consumables Organized by the State” (《國家組織骨科脊柱類耗材集中帶量採購公告》) to officially commence the centralized volume-based procurement of orthopedic and spinal products. On 27 September 2022, the selection result for the centralized procurement of orthopedic and spinal consumables was announced.

The orthopedic implant^(note) market is a segment of the medical device market and 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 implant 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. However, with the advancement of the healthcare reform in the PRC and the governmental support for Chinese companies through favourable policies, domestic companies are expected to increase their market share in the joint implant market 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 joints, 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 product registration index (國產關節類產品註冊檢索) of the National Medical Products Administration (“NMPA”), the Company is 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 number and types of certificates.

As at 31 December 2022, the Company held 68 medical device registration certificates and recordation certificates in the PRC for the production of medical devices which cover joint prosthesis products for the four major joints, spinal products and sports medical products, as well as dental products, of which 25 are Class III medical device registration certificates, 11 are Class II medical device registration certificate and 32 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, in 2022, the Company obtained 16 product registration certificates issued by the NMPA. These registration certificates further diversified the Company’s product lines, expanded its layout in the orthopedic field, and enabled it to officially enter the dental 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 is the Company’s first registration certificate for 3D-printed trabecular, which has expanded the Company’s biological fixed prosthesis product line and further boosted the market share of the Company’s artificial hip prosthesis. The Company also obtained the registration certificates for knee joint prosthesis and the acetabulum component for the hip joint. The tibial plateau impactor, patella parts and lining are made with vitamin E high-crosslinking ultra-high molecular weight polyethylene materials, which further increase the abrasion resistance of artificial knee and hip joint prosthesis, making them the latest generation of polyethylene products for clinical use. The launch of these products by the Company has filled the gap in the domestic market, and has made the Company’s knee and hip joint prosthesis the best domestic joint prosthesis in terms of abrasion resistance. In the long term, the Company will enhance the abrasion resistance of domestic joint prosthesis and increase the market share of its joint prosthesis.

In the field of sports medical products, the Company was also granted three sports medical product 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 the dental field, the Company obtained three registration certificates for orthodontic brackets, orthodontic buccal tubes and maxillofacial bone plate systems. The acquisition of these registration certificates marks Chunli Medical's official entry into the dental field. While expanding the scale and range of orthopedic products such as artificial joints and sports medical products, the Company has continued to tap into the field of high-value medical consumables for maxillofacial surgery and dentistry. It has also increased investment in the research and development of innovative high-value medical consumables, accelerating the development of new products and enhancing its innovation capabilities. This has created a product portfolio that is sustainable and capable of developing into ranges and series, which enables the Company to grow rapidly and continuously.

In 2022, the Company also obtained the registration certificate for medical centrifuges. With the certificate and the successful launch of the product, the Company entered the field of blood product equipment. The acquisition of the medical centrifuge registration certificate also enriched the Company's product line for platelet-rich plasma (PRP) preparation to improve its core competitiveness.

In terms of international registration, in 2022, the Company obtained registration certificates in eight countries, namely Ukraine, Korea, Peru, Syria, Mexico, Argentina, Kazakhstan and Uzbekistan. 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 the related 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 the Company's increasing international sales and a manifestation of its strong competitiveness in the international market.

Obtaining a large number of registration certificates both domestically and internationally in 2022 is the result of the Company's increased investment in research and development in recent years. It marks the beginning of the Company's acceleration in certificate acquisition, and demonstrates that the Company is rapidly developing from a leading artificial joint enterprise in the PRC to an orthopedics enterprise covering segments such as joint, spine, trauma and sports medical products.

Diversified product portfolio

Being one of the earliest domestic enterprises in the PRC to engage in research and development as well as production of joint prosthesis products, the Company has established a broad portfolio comprising various joint prosthesis products, spinal products and sports medical products. The Company's joint prosthesis products cover four major joints of human bodies (namely hip, knee, shoulder and elbow) while its spinal products comprise a full-range product portfolio of spinal fixation systems and spinal fusion systems, including series of fixation systems in anterior and posterior cervical, thoracic and lumbar vertebrae, and series of fusion products for cervical, thoracic and lumbar vertebrae. The company's sports medicine products provide solutions for injuries to major joints such as the hip, knee, shoulder, and elbow, as well as small joints such as the hand, wrist, and foot. These solutions include products such as non-absorbable suture anchors, meniscal repair systems, looped titanium plates, PEEK suture anchors, and PEEK interface screws for developing diversified product

combination plans for complex sports injuries in clinical settings. In addition, the Company's joint prosthesis products are also divided into standard joint prosthesis products and custom joint prosthesis products. The standard joint prosthesis products mainly include hip joint prosthesis products and knee joint prosthesis products, while the custom joint prosthesis products are also divided into two categories, namely conventional custom joint prosthesis products and custom (modular) joint prosthesis products. The custom joint prosthesis products are applicable to the four major joints of human bodies, and are specifically designed and produced to cater for clinical needs.

Strong research and development capabilities

The Company is a state-level high and new technology enterprise (國家級高技術企業) and G20 Engineering Enterprise (which is a progressive development advocated by the municipal government of Beijing aiming at promoting the biomedicine industry in Beijing as the backbone of the capital with its strategic value). Its 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 the continuous 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 research and development of new products and product improvement, the Company 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 demand 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 tracking on the joint prosthesis products developed by itself for the purpose of the provision of clinical data for improvements in joint prosthesis and instruments. Currently, there are over 300 hospitals from 31 provinces in the PRC taking part in the research program, which is the first domestic program of such a large scale for follow-ups and tracking 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), received the CNAS Laboratory Accreditation Certificate (Registration No. CNASL14515) issued by the China National Accreditation Service for Conformity Assessment in March 2021, and completed the additions to the CNAS laboratory in March 2022. As at 31 December 2022, the Company obtained a total of 21 testing qualifications. The Company's laboratory will take up major research and development projects of the PRC (including Beijing), and will actively participate in science popularization campaigns throughout the PRC (including Beijing). At the same time, the Company will accelerate the research and development of its new products to further enhance the safety and scientificity of new product design.

In June 2020, the “Porous Tantalum Bone Repair Material and Implantable Product Development and Clinical Application” 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”. In 2022, another project of which the application was led by the Company, “Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants” (the “Project”) was again approved by the Ministry of Science and Technology of the PRC as a key special project under the 2022 national key research and development program – “Diagnostic and Treatment Equipment and Biomedical Materials”. These projects are carried out by the 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 the Company’s high-end medical devices to the market. In December 2022, notifications of acceptance were issued by the National Medical Products Administration for two products under the Project, namely “tantalum metal trabecula fillings” (鉭金屬骨小梁填充塊) and “lumbar cage – porous tantalum metal” (椎間融合器—多孔型鉭金屬), and both products have entered the review and approval stage for registration.

As of 31 December 2022, there were two postdoctoral scientific researchers at the Company’s postdoctoral scientific research workstation. In 2022, projects granted to the Company’s postdoctoral scientific research workstation, 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” (鉭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), 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), and the “Tantalum Modified Biomedical Titanium Alloy Material Research Results Transformation Project” (鉭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, have been concluded. In 2022, the Company’s 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 its 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 31 December 2022, the Company had obtained 455 domestic intellectual properties, including 86 invention patents, 358 utility model patents, 3 design patents and 8 software copyrights. A total of 11 PCT patent applications were filed. The abundant patent licenses manifest the Company's innovation ability and core competitiveness. According to the 23rd China Patent Award results announced by the China National Intellectual Property Administration, the "New Axis Knee Joint Prosthesis" of the Company was awarded the Outstanding Award of the China Patent Award. The 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 also recognises the Company's transformative value in the patent market, as well as its patent protection and patent management.

In 2022, the Company was awarded the "Beijing Intellectual Property Demonstration Unit" certificate issued by the Beijing Municipal Intellectual Property Office. This is another important achievement of the Company in the field of intellectual property after obtaining the "Intellectual Property Management System Certificate" in 2020. The certificate not only represents the recognition of the Beijing Municipal Intellectual Property Office for the Company's innovation capabilities and intellectual property achievements, but also highly approves of its innovation-driven strategy and the strategic awareness of intellectual property.

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, the 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 the Company's high-end ceramic hip joint prostheses.

New products and new technologies

As of 31 December 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 them, 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) in March 2022, and 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 has been included in the national “List of Outstanding Scenario for Smart Manufacturing 2021”. The Company has been named Beijing “Specialized, Excellent, Featured and Innovative” Small and Medium-sized Enterprise (Number: 2022ZJTX0032) and Beijing Specialized, Excellent, Featured and Innovative “Little Giant” Enterprise (Number: 2022XJR0038) by the Beijing Municipal Bureau of Economy and Information Technology, and Specialized, Excellent, Featured and Innovative “Little Giant” Enterprise by the Ministry of Industry and Information Technology. This demonstrates the recognition for smart manufacture of the Company by the state, and the recognition for the economic efficiency, level of professionalism, ability in 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 its sales network has covered numerous hospitals located in these regions through 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, Oceania and Europe under the brand name of “春立 Chunli” or through OEM.

FINANCIAL REVIEW

Revenue

The Company's revenue increased by 8.43% from approximately RMB1,108.14 million for the year ended 2021 to approximately RMB1,201.61 million for the year ended 2022, mainly attributable to the Company overcoming the impact of external factors such as changes in the macro environment at home and abroad and actively responding to market changes and challenges, increase in the sales of joint prosthesis products driven by the favorable policy of "volume-based procurement", and continuous growth in the sales of spinal products and sports medicine products, resulting in the steady development of the Company's main business and sustained growth in overall performance.

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

Product category	Year ended 31 December		Growth over corresponding period
	2022 (RMB'000)	2021 (RMB'000)	
Joint prosthesis products	1,046,391	1,035,550	1.05%
Spinal products	115,865	68,100	70.14%
Sports medical products	36,767	3,580	927.01%
Other businesses	2,582	910	183.74%
Total	1,201,605	1,108,140	8.43%

Gross profit

The Company's gross profit increased by 6.90% from approximately RMB854.54 million for the year ended 2021 to approximately RMB913.53 million for the year ended 2022, which was mainly attributable to the increase in revenue.

The Company's gross profit margin decreased from 77.11% for the year ended 2021 to 76.03% for the year ended 2022, which was mainly attributable to the decrease in sales prices of joints due to the implementation of the centralized procurement of the relevant products.

Selling expenses

The Company's selling expenses increased from approximately RMB342.05 million for the year ended 2021 to approximately RMB391.47 million for the year ended 2022. The increase in selling expenses was mainly attributable to the Company's increased marketing efforts, emphasis on sales channel expansion and hospital development, continued strengthening of the sales team, and the increasing number of sales staff, which led to an increase in salaries and other related expenses.

Administrative expenses

The Company's administrative expenses increased from approximately RMB30.67 million for the year ended 2021 to approximately RMB38.84 million for the year ended 2022. The increase in administrative expenses was mainly attributable to the increase in the depreciation of fixed assets.

Research and development expenses

The Company's research and development expenses increased by 54.84% from approximately RMB104.84 million for the year ended 2021 to approximately RMB162.34 million for the year ended 2022. The Company's research and development expenses in 2022 accounted for 13.51% of the annual revenue. It was mainly because taking its strategic planning for mid-to long-term development into consideration, the Company attached great importance to the research and development of new products, new technologies and new processes, continuously increased investment in research and development, and promoted technological innovation and product iteration.

Impairment loss of assets

The Company's impairment loss of assets increased from approximately RMB10.51 million for the year ended 2021 to approximately RMB13.45 million for the year ended 2022, which was mainly attributable to the increase in the provision for the impairment of inventories according to the Company's policy on inventory impairment.

Income tax expenses

The Company's income tax expenses decreased from approximately RMB45.02 million for the year ended 2021 to approximately RMB29.16 million for the year ended 2022, which was mainly attributable to the decrease in income tax expenses as benefitted from the preferential tax policy in 2022.

Net profit for the year

The Company's net profit decreased by 4.54% from approximately RMB322.36 million for the year ended 2021 to approximately RMB307.72 million for the year ended 2022, which was mainly because that affected by "volume-based procurement", the terminal price of related products of the Company decreased, meanwhile the Company considered medium and long-term development strategic planning, attached importance to the research and development of new products, new technologies and new processes, and continued to increase investment in research and development to promote technological innovation and product iteration, resulting in a decline in profits.

Liquidity and capital resources

The Company's liquidity decreased by 44.88% from approximately RMB1,736.49 million for the year ended 2021 to approximately RMB957.19 million for the year ended 2022, which was mainly attributable to the purchase of wealth management products by the Company.

The Company's principal sources of liquidity are generated from its operations, the issue of H shares and the proceeds raised from the initial public offering of the Company's A shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 30 December 2021. The Board is of the opinion that the Company has sufficient resources to support its management and to meet its 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 have been and 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 and the Company's announcement dated 13 October 2022.

Use of Proceeds	Proportion	Amount available (RMB million)	Expense as of 31 December 2022 (RMB million)	Outstanding amount as of 31 December 2022 (RMB million)	Expected timeline for the application of the unutilised proceeds
First-installment expense for the development of Daxing New Production Base	57.53%	106.93	93.58	13.35	By 31 December 2023
Research and development activities	12.67%	23.55	23.55	0.00	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	172.51	13.35	

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. 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.

Items	Proportion	Amount available (RMB'000)	Net (expenses)/ interest income as at 31 December 2022	Outstanding amount as at 31 December 2022 (RMB'000)	The date on which the project is ready for its intended useable condition
			(RMB'000)		
Committed Investments Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	452,822.44	7,177.56	August 2024
Research and development centre construction project	33.74%	360,000.00	(359,684.70)	315.30	August 2024
Marketing network construction project	7.50%	80,000.00	540.17	80,540.17	December 2024
Replenishment of working capital project	15.66%	167,128.29	(167,009.62)	118.67	Not applicable
Total	100%	1,067,128.29	(978,976.59)	88,151.70	

Inventory

The Company's inventory increased from approximately RMB159.68 million for the year ended 2021 to approximately RMB259.79 million for the year ended 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 from approximately RMB392.95 million for the year ended 31 December 2021 to approximately RMB463.40 million for the year ended 31 December 2022, which was mainly attributable to the increase in its investment in the acquisition of production facilities and construction works in 2022.

Net current assets

The Company's net current assets increased by 8.72% from approximately RMB2,008.14 million for the year ended 31 December 2021 to approximately RMB2,183.28 million for the year ended 31 December 2022.

Working capital and financial resources

Cash flow analysis

As at 31 December 2022, the Company's net cash inflow generated from operating activities was approximately RMB41.01 million, which was mainly due to receipts of cash from the sales of goods; the Company's net cash outflow generated from investment activities was approximately RMB762.61 million, which was mainly due to the acquisition of fixed assets and construction in progress; the Company's net cash outflow generated from financing activities was approximately RMB59.04 million, which was mainly due to the payment of dividends during the period; and the Company's cash and cash equivalents decreased by approximately RMB779.30 million as compared to the end of last year.

Capital expenditure

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

Contingent liabilities or guarantees

As of 31 December 2022, the Company did not have any significant contingent liabilities or guarantees.

Structured deposit wealth management products

During the reporting period, the Company entrusted banks to subscribe for structured deposit wealth management products as follows:

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management (RMB'000)	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital Source	Money Flow	Annualised Yield	Actual Gains or (losses) (RMB' 000)	Actual recovery
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,000.00	27 January 2022	27 May 2022	Idle capital	Banking	1.35% or 3.2%	126.25	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	30,000.00	27 January 2022	27 April 2022	Idle capital	Banking	1.35% or 3.2%	236.71	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	25,000.00	27 January 2022	27 April 2022	Idle capital	Banking	1.6% to 3.18%	196.03	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,000.00	5 May 2022	2 September 2022	Idle capital	Banking	1.35% or 3.04%	119.93	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	25,000.00	5 May 2022	2 September 2022	Idle capital	Banking	1.35% or 3.04%	249.86	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	25,000.00	5 May 2022	29 June 2022	Idle capital	Banking	1.6% to 2.888%	108.79	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,000.00	13 June 2022	12 October 2022	Idle capital	Banking	1.35% or 3.04%	120.93	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	24,800.00	1 July 2022	29 September 2022	Idle capital	Banking	1.60% to 3.15%	192.62	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	7,000.00	7 September 2022	6 January 2023	Internal funds	Banking	1.35% or 3.15%	73.1	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Daxing Sub-branch	Structured deposits	30,000.00	7 September 2022	6 January 2023	Idle capital	Banking	1.35% or 3.15%	313.27	Undue, not redeemed at the end of the reporting period
China Construction Bank – Daxing Branch	Structured deposits	24,000.00	17 October 2022	16 January 2023	Idle capital	Banking	1.50% to 3.08%	181.54	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	3,000.00	17 October 2022	16 January 2023	Internal funds	Banking	1.30% or 3.12%	9.72	Undue, not redeemed at the end of the reporting period
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	17 October 2022	16 January 2023	Idle capital	Banking	1.30% or 3.12%	40.51	Undue, not redeemed at the end of the reporting period

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 believes that the demand of its products will continue to increase along with the growth of the PRC joint prosthesis market. In the long run, the Company aims 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 plans to implement the following strategies:

Diversify product series

The Company will continue to optimise and modify its 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 and more surgical procedures catering for patients' needs through the application of new materials, the introduction of new technologies and the improvement of production processes, in order to build a more comprehensive product series and to achieve product diversification and the smart development of surgical procedures. With its technical expertise, the Company 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 the specific needs of patients. As such, the Company believes that the advanced, customized and individualized joint prosthesis products can generate higher profit margins. In recent years, the relevant regulations issued by the NMPA have also been more conducive to the development of customized prostheses. The Company will take this opportunity to promote the rapid development of patents for customized and individualized products.

Strengthen the Company's innovation ability and increase the research and development resources

In the future, the Company shall continue its 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 plans to establish a product research and development center at its Daxing New Production Base, which is expected to consist of a standard joint prosthesis department, spinal product department, orthopedic trauma product department, biomechanics center and orthopedic device standardization research and development center. Meanwhile, the Company would attract more research and development talents to join its 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 optimising the allocation of research and development resources and iterating on corporate innovation mechanism. The Company can also take advantage of the 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 its professional knowledge, technology and competitiveness.

Expand brand influence

To further strengthen its brand, the Company will continue to implement strict supervision on product quality. At the same time, the Company 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 its products during such seminars. The Company will 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 its brand influence.

Talent development and incentives

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

EMPLOYEE

As at 31 December 2022, the Group had approximately a total of 1303 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. For the year ended 31 December 2022, the total salaries and related costs paid to the Company's employees were approximately RMB193.41 million. The Group enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, exit policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company repurchased a total of 711,500 H Shares on the Stock Exchange (2021: nil) for a total consideration of approximately HK\$8.14 million (excluding brokerage fees and exclusive of tax) (2021: nil) at prices ranging from HK\$11.08 to HK\$11.69, which have not been cancelled as at the date of this announcement.

Save as disclosed as above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2022.

2022 FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB3.13 per 10 shares in cash (tax inclusive) for the year ended 31 December 2022 (31 December 2021: the payment of a final dividend of RMB1.30 per 10 shares in cash (tax inclusive)). The dividend declared is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend payable to the shareholders of H Shares will be paid in Hong Kong dollars, while the final dividend payable to the shareholders of A Shares will be paid in Renminbi. The applicable exchange rate shall be the mid-rate of the average exchange rate of the relevant foreign exchange published on the website of the People's Bank of China seven business days prior to the date of approval of the dividend. The final dividend is expected to be paid on or before 31 July 2023 to shareholders whose names appear on the register of members of the Company as at 3 July 2023 in respect of H Shares. The notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched, together with a circular, to the H Share shareholders of the Company in due course in accordance with the requirements of the Listing Rules. In case of any changes in the expected distribution dates and the closure period of the register of members of H Shares, the Company will make further announcements in respect to those changes in due course. The Company will publish a separate announcement on the Shanghai Stock Exchange regarding the payment of final dividend to shareholders of A Shares after the annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 28 June 2023. Shareholders of H Shares should read the details of the circular relating to the annual general meeting, the notice of the annual general meeting and the accompanying proxy form, which will be despatched by the Company in due course.

Closure of the register of members of H Shares for the shareholders of H Shares

(1) Entitlement to attend and vote at the annual general meeting

In order to determine the shareholders who are entitled to attend and vote at the annual general meeting, the Company's register of members of H Shares will be closed from 23 June 2023 to 28 June 2023 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified to attend and vote at the annual general meeting, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 21 June 2023 (being the business day before the first day of closure of the register of members of H Shares) for registration.

(2) Entitlement to final dividend

In order to determine the entitlement to the final dividend, the Company's register of members of H Shares will be closed from 4 July 2023 to 6 July 2023 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified for the final dividend, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 3 July 2023 (being the business day before the first day of closure of the register of members of H Shares) for registration.

ISSUANCE OF A SHARES AND LISTING ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD AND STRATEGIC ALLOTMENT UNDER THE A SHARE OFFERING TO CONNECTED PERSONS

The Company was successfully listed on the Science and Technology Innovation Board of Shanghai Stock Exchange on 30 December 2021. The Company issued 38,428,000 A Shares at an issue price of RMB29.81 per A Share, raising total proceeds of RMB1,145,538,680.00. After deducting the issuance expenses of RMB78,410,387.77, the actual net proceeds raised were RMB1,067,128,292.23.

As approved by the extraordinary general meeting of the Company held on 6 December 2021, the Company may allot up to 3,842,800 A Shares to its senior management and core employees via the Collective Assets Management Plan in accordance with the Strategic Allotment Plan under the A Share offering. Details of the above connected transactions are set out in the announcements of the Company dated 18 October 2021, 6 December 2021 and 29 December 2021 and the circular dated 19 November 2021.

On 30 December 2022, the lock-up period of the Company's Strategic Allotment Shares expired and they began to circulate on the listed market. The number of the circulating shares is equivalent to all Strategic Allotment Shares subject to the lock-up period. For details, please see the Company's relevant announcement (Announcement Number: 2022-051) dated 22 December 2022 published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

CORPORATE GOVERNANCE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. The Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The Company has complied with all applicable principles and code provisions of the Corporate Governance Code for the year ended 31 December 2022.

COMPLIANCE WITH MODEL CODE

The 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. The Company has made specific inquiries to Directors and Supervisors, and they all confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee of the Board has reviewed the Company’s consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices applied.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

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

The Company’s 2022 Annual 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 HKEnews website of the Stock Exchange in due course.

By order of the Board
Beijing Chunlizhengda Medical Instruments Co., Ltd.*
Shi Wenling
Chairman

Beijing, the PRC, 30 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Shi Chunbao, Ms. Yue Shujun, Ms. Shi Wenling 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.

* For identification purposes only