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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 2021**

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 2021. 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 2021 RMB	As at 31 December 2020 RMB
<b>Current Assets:</b>			
Monetary funds		1,736,493,995.38	690,116,229.19
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Notes receivable		127,595,937.14	149,790,531.81
Accounts receivable	2	400,193,012.58	221,285,894.71
Accounts receivable financing		–	–
Prepayment		7,656,146.95	10,465,163.29
Other receivables		4,489,954.17	522,340.76
Including: Interests receivable		–	–
Dividends receivable		–	–
Inventories		159,677,359.96	168,613,662.37
Contract assets		–	–
Assets held-for-sale		–	–
Non-current assets due within one year		–	–
Other current assets		11,657,475.04	11,199,912.51
Total current assets		<u>2,447,763,881.22</u>	<u>1,251,993,734.64</u>
<b>Non-current assets:</b>		<u>–</u>	<u>–</u>
<b>Debt investments</b>			
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Other investments in equity instruments		–	–
Other non-current financial assets		–	–
Investment property		–	–
Fixed assets		111,389,835.89	107,724,368.01
Construction in progress		281,558,992.24	55,067,106.50
Productive biological assets		–	–
Oil & gas assets		–	–
Right-of-use assets		1,798,726.19	2,060,210.63
Intangible assets		131,974,040.11	101,492,549.79
Development expenditures		–	–
Goodwill		–	–
Long-term prepayments		128,333.51	348,333.47
Deferred income tax assets		22,882,542.60	21,552,164.86
Other non-current assets		<u>2,161,009.69</u>	<u>1,608,861.17</u>
<b>Total non-current assets</b>		<u>551,893,480.23</u>	<u>289,853,594.43</u>
<b>Total assets</b>		<u>2,999,657,361.45</u>	<u>1,541,847,329.07</u>

Item	<i>Notes</i>	As at 31 December 2021 RMB	As at 31 December 2020 RMB
<b>Current liabilities:</b>			
Short-term borrowings		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	3	142,415,529.82	90,291,822.86
Advances received		6,992,973.01	7,909,856.35
Contract liabilities		59,540,669.01	82,877,185.27
Employee remuneration payable		46,267,095.42	30,900,407.58
Taxes payable		32,302,495.73	42,725,439.51
Other payables		75,055,164.38	59,085,332.20
Non-current liabilities due within one year		1,226,469.52	1,184,473.53
Other current liabilities		75,818,491.35	53,870,807.74
<b>Total current liabilities</b>		<b>439,618,888.24</b>	<b>368,845,325.04</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		–	667,778.76
Long-term payables		–	–
Long-term employee remuneration payable		–	–
Estimated liabilities		–	–
Deferred gains		85,558,271.60	88,171,554.01
Deferred income tax liabilities		5,402,815.13	4,574,313.80
Other non-current liabilities		–	–
<b>Total non-current liabilities</b>		<b>90,961,086.73</b>	<b>93,413,646.57</b>
<b>Total liabilities</b>		<b>530,579,974.97</b>	<b>462,258,971.61</b>

<b>Item</b>	<i>Notes</i>	<b>As at 31 December 2021 RMB</b>	<b>As at 31 December 2020 RMB</b>
<b>Shareholders' equity:</b>			
Share capital	3	<b>384,280,000.00</b>	345,852,000.00
Other equity instruments			
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve	4	<b>1,051,228,272.24</b>	22,527,980.01
Less: treasury shares		–	–
Other comprehensive income		–	–
Specific reserve		–	–
Surplus reserve	6	<b>124,721,689.87</b>	92,422,736.65
Undistributed profits	7	<b>908,847,424.37</b>	618,785,640.80
Total interests attributable to shareholders of the Parent Company		<b>2,469,077,386.48</b>	1,079,588,357.46
Minority interests		–	–
<b>Total shareholders' equity</b>		<b>2,469,077,386.48</b>	1,079,588,357.46
<b>Total liabilities and/or shareholders' equity</b>		<b>2,999,657,361.45</b>	1,541,847,329.07
<b>Net current assets</b>		<b>2,008,144,992.98</b>	883,148,409.60
<b>Total assets less current liabilities</b>		<b>2,560,038,473.21</b>	1,173,002,004.03

## CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item	Notes	Year ended 31 December	
		2021 RMB	2020 RMB
<b>I. Revenue</b>	8	<b>1,108,139,520.61</b>	937,686,185.19
Less: Operational costs	8	<b>253,599,079.82</b>	256,930,644.29
Taxes and surcharge		<b>9,201,726.41</b>	9,453,333.03
Selling expenses		<b>342,054,758.63</b>	241,011,234.18
Administrative expenses		<b>30,670,756.87</b>	31,220,479.83
Research and development expenses		<b>104,843,140.53</b>	72,602,836.55
Financial expenses		<b>(9,642,225.54)</b>	(1,636,694.97)
Including: Interest expenses			
Interest proceeds		<b>10,755,551.89</b>	6,267,146.07
Add: Other gains		<b>17,454,245.21</b>	8,373,252.30
Investment income (losses will be shown with “-” sign)		-	-
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		-	-
Impairment loss of credit		<b>(16,774,803.06)</b>	(6,065,825.10)
Impairment loss of assets		<b>(10,514,927.19)</b>	(158,086.90)
Gains (losses will be shown with “-” sign) on disposal of assets		<b>14,856.74</b>	(158,177.16)
<b>II. Operational profit (losses will be shown with “-” sign)</b>		<b>367,591,655.59</b>	330,095,515.42
Add: Non-operating income		<b>138,939.72</b>	765,291.89
Less: Non-operating expenses		<b>351,871.90</b>	1,014,239.18



Item	Notes	Year ended 31 December	
		2021 RMB	2020 RMB
<b>V. Net other comprehensive income after tax</b>			
(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		–	–
		<u>–</u>	<u>–</u>
<b>VI. Total comprehensive income</b>		<b>322,360,736.79</b>	283,373,280.95
(I) Total comprehensive income attributable to shareholders of the Parent Company		<b>322,360,736.79</b>	283,373,280.95
(II) Total comprehensive income attributable to the minority shareholders		–	–
		<u>–</u>	<u>–</u>
<b>VII. Earnings per share</b>			
(I) Basic earnings per share		<b>0.93</b>	0.82
(II) Diluted earnings per share		<b>0.93</b>	0.82
		<u>0.93</u>	<u>0.82</u>

## 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 2021, 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 2021 and for the year ended 31 December 2021:

Accounting Standards for Business Enterprises No. 21 - Leases (Amendments issued by MOF in December 2018)

## 2 ACCOUNTS RECEIVABLE

### Categories of trade receivables:

Item		Individually significant and for which provision is individually assessed	Determining provision for bad debts by grouping basis	By credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As at 31 December 2020							
Carrying amount	Amount (RMB)	–	247,671,243.18	247,671,243.18	247,671,243.18	–	247,671,243.18
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	26,385,348.47	26,385,348.47	26,385,348.47	–	26,385,348.47
	Percentage (%)	–	10.65	10.65	10.65	–	10.65
Net amount		–	221,285,894.71	221,285,894.71	221,285,894.71	–	221,285,894.71
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

### Credit risk characteristics group:

Aging	As at 31 December 2021			As at 31 December 2020		
	Carrying amount		Provision	Carrying amount		Provision
	Amount	Percentage		Amount	Percentage	
	RMB	%	RMB	RMB	%	RMB
Within one year	394,752,712.16	89.84	19,737,635.60	210,813,683.35	85.12	10,540,684.17
1 to 2 years	26,289,006.27	5.98	3,943,350.94	22,922,482.03	9.26	3,438,372.31
2 to 3 years	5,664,561.39	1.29	2,832,280.70	3,057,571.63	1.23	1,528,785.82
More than 3 years	12,683,601.75	2.89	12,683,601.75	10,877,506.17	4.39	10,877,506.17
Total	439,389,881.57	100.00	39,196,868.99	247,671,243.18	100.00	26,385,348.47

*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 2021 RMB	As at 31 December 2020 RMB
Purchasing of materials	77,662,764.86	71,174,919.85
Purchasing of machinery and equipment	64,752,764.96	19,116,903.01
Total	<u>142,415,529.82</u>	<u>90,291,822.86</u>

Aging analysis of accounts payable is as follows:

Item	As at 31 December 2021 RMB	As at 31 December 2020 RMB
Within 1 year (inclusive)	137,123,856.34	77,977,086.71
More than 1 year	5,291,673.48	12,314,736.15
Total	<u>142,415,529.82</u>	<u>90,291,822.86</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

Name	As at 31 December 2021 RMB	As at 31 December 2020 RMB
Mr. Shi Chunbao	113,685,435.00	113,685,435.00
Ms. Yue Shujun	95,447,900.00	95,447,900.00
Panmao (Shanghai) Investment Center (LLP)	17,250,000.00	17,250,000.00
Mr. Sun Weiqi	4,416,665.00	4,416,665.00
Mr. Jin Jie	4,166,665.00	4,166,665.00
Mr. Lin Yiming	5,800,000.00	5,800,000.00
Panxin (Shanghai) Investment Center (LLP)	2,500,000.00	2,500,000.00
Ms. Wang Haiya	2,333,335.00	2,333,335.00
Mr. Huang Dong	2,533,335.00	2,533,335.00
Mr. Zhang Zhaohui	1,333,330.00	1,333,330.00
Mr. Chen Xusheng	533,335.00	533,335.00
Overseas listed foreign shares	<u>95,852,000.00</u>	<u>95,852,000.00</u>
Public shares – A shares	<u>38,428,000.00</u>	–
Total	<u>384,280,000.00</u>	<u>345,852,000.00</u>

On 30 December, 2021, the A Share Offering was conducted on the Science and Technology Innovation Board of the Shanghai Stock Exchange and publicly issued 38,428,000 A Shares in RMB at an issue price of RMB29.81 per share, with total proceeds of RMB1,145,538,680.00. The actual net proceeds amounted to RMB1,067,128,292.23, net of issue expenses of RMB78,410,387.77. Among which, the registered capital increased by RMB38,428,000.00 and the capital reserve increased by RMB1,028,700,292.23.

## 5 CAPITAL RESERVE

<b>Item</b>	<b>As at 31 December 2021 RMB</b>	<b>As at 31 December 2020 RMB</b>
Capital premium	1,049,428,272.24	20,727,980.01
Other capital reserve	<u>1,800,000.00</u>	<u>1,800,000.00</u>
Total	<u><b>1,051,228,272.24</b></u>	<u>22,527,980.01</u>

## 6 SURPLUS RESERVE

<b>Item</b>	<b>As at 31 December 2021 RMB</b>	<b>As at 31 December 2020 RMB</b>
Statutory surplus reserve	<u><b>124,721,689.87</b></u>	<u>92,422,736.65</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

<b>Item</b>	<b>As at 31 December 2021 RMB</b>	<b>As at 31 December 2020 RMB</b>
Closing balances of the preceding year	<u><b>618,785,640.80</b></u>	<u>373,587,994.67</u>
Opening balances of the current year	<b>618,785,640.80</b>	373,587,994.67
Add: Net profit attributable to equity owners of the Company	<b>322,360,736.79</b>	283,373,280.95
Less: Transfer to statutory reserve fund	<b>32,298,953.22</b>	27,800,074.82
Dividend declared	–	10,375,560.00
Dividend of ordinary shares transferred to share capital	<u>–</u>	<u>–</u>
Closing balances of the current year	<u><b>908,847,424.37</b></u>	<u>618,785,640.80</u>

## 8 REVENUE AND COST OF SALES

Item	Year ended 31 December	
	2021	2020
	RMB	RMB
Revenue from principal operation	1,107,229,430.90	937,559,589.28
Revenue from other operations	910,089.71	126,595.91
	<u>1,108,139,520.61</u>	<u>937,686,185.19</u>
Cost of sales	1,108,139,520.61	256,930,644.29

### Revenue and cost of sales (classified by products)

Item	Year ended 31 December	
	2021	2020
	RMB	RMB
<b>Revenue</b>		
Revenue from principal operation:		
– Medical Surgical Implants	1,107,229,430.90	937,559,589.28
<b>Cost of sales</b>		
Cost of sales for principal operation:		
– Medical Surgical Implants	253,599,079.82	256,868,716.67

### 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	
	2021	2020
	RMB	RMB
The PRC	1,056,156,083.00	887,280,683.27
Other than the PRC	51,983,437.61	50,405,501.92
	<u>1,108,139,520.61</u>	<u>937,686,185.19</u>
Total	1,108,139,520.61	937,686,185.19

## 9 INCOME TAX EXPENSES

Item	Year ended 31 December	
	2021 RMB	2020 RMB
Current income tax calculated in accordance with relevant tax laws and regulations	45,519,863.03	52,357,368.61
Deferred income tax	(501,876.41)	(5,884,081.43)
Total	<u>45,017,986.62</u>	<u>46,473,287.18</u>

### Applicable tax rates

Item	Year ended 31 December	
	2021	2020
<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%	25%

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

Item	Year ended 31 December	
	2021 RMB	2020 RMB
Profit before tax	<u>367,378,723.41</u>	<u>329,846,568.13</u>
Income tax expenses based on statutory/applicable tax rate	55,106,808.51	49,476,985.22
Effect of different tax rate applicable to subsidiaries	(132,389.03)	705,507.89
Effect of prior income tax reconciliation	2,364,244.04	5,879,008.35
Effect of non-deductible costs, expenses and losses	826,879.83	931,723.31
Effect of using deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	–	(125,918.23)
Effects of additional deduction of research and development costs and others	(13,591,132.90)	(8,069,952.23)
Effect of deductible temporary differences or deductible losses not recognised in the current period	443,576.17	247,285.36
Effect of deferred income	–	(2,572,352.49)
Income tax expenses	<u>45,017,986.62</u>	<u>46,473,287.18</u>

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

### Calculation result

Item		Year ended 31 December	
		2021 RMB	2020 RMB
Earnings per share			
Net profit attributable to equity owners of the Company		<u>0.93</u>	<u>0.82</u>
Diluted earnings per share			
Net profit attributable to equity owners of the Company		<u>0.93</u>	<u>0.82</u>
Net profit attributable to equity owners of the Company (RMB)	A	<u>322,360,736.79</u>	<u>283,373,280.95</u>
Number of shares at beginning of the year	B	<u>345,852,000.00</u>	<u>345,852,000.00</u>
Number of shares issued – Offer Shares	C1	<u>38,428,000.00</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>384,280,000.00</u>	<u>345,852,000.00</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>12</u>	<u>–</u>
Weighted average number of ordinary shares outstanding	$E = B + C1 * D1 / D3 + C2 * D2 / D3$	<u>345,852,000.00</u>	<u>345,852,000.00</u>
Basic earnings per share (RMB)	$F = A / E$	<u>0.93</u>	<u>0.82</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 2021, the novel coronavirus was still rampant and became one of the deadliest viruses in history, with its mutant strains emerging around the world. Upholding the general approach of “dynamic zero infection”, the COVID-19 pandemic in China is basically under control. On April 1, 2021, 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 Notice on the Collection of Information on Some High-Value Medical Consumables for Orthopedics (《關於開展部分骨科類高值醫用耗材產品信息採集工作的通知》) to commence the first round of information collection regarding high-value medical consumables for artificial hip and knee joints. On June 21, 2021, the Office of Joint Procurement for High-Value Medical Consumables Organized by the State issued the “Announcement of Volume-based Procurement of Artificial Joint Organized by the State (No. 1) (《國家組織人工關節集中帶量採購公告》(第1號))”, and officially issued the “Document of the Centralized Volume-based Procurement of Artificial Joints Organized by the State” on August 23, 2021, which provided a comprehensive explanation of the product categories, procurement rules and bidding rules of the procurement. The products to be procured under the centralized volume-based procurement are the initial replacement of total hip joint and the initial replacement of total knee joint. There are three product lines categorized based on the material of the hip joint, namely ceramic-ceramic hip joint, ceramic-polyethylene hip joint, and alloy-polyethylene hip joint.

The orthopedic implant<sup>(note)</sup> 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. However, 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 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 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 at 31 December 2021, we held 49 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, of which 16 are Class III medical device registration certificates, 4 are Class II medical device registration certificate and 29 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 August 2021, we obtained the registration certificate for single knee joint, being the only enterprise in China with both movable platform single knee prosthesis and fixed platform single knee prosthesis. In September 2021, we obtained the registration certificate of bladder joint prosthesis, being the first company with bladder joint prosthesis in China.

In terms of international registration, in 2021, we obtained registration certificates for hip prosthesis, knee prosthesis, and spinal prosthesis in Syria, Iraq, and Ecuador, registrations for hip prosthesis and knee prosthesis in Turkey, as well as registration certificates for tumor hip prosthesis and tumor knee prosthesis in Mexico. The Company obtained the CE certificate for the expanded hip prosthesis, the CE certificate for the expanded knee prosthesis, the certificate of free sale of hip prosthesis in the European Union, and the certificate of free sale of knee prosthesis in the European Union. Those CE certificates obtained show that the Company has implemented a quality assurance system for the design, manufacture and final inspection of these products as required by certain European guidelines. The CE certificates not only serve as proof of the satisfactory performance of our 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 our increasing international sales and a manifestation of our strong competitiveness in the international market.

## **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, we have established a broad portfolio comprising various joint prosthesis products, spinal products and sports medical products. Our joint prosthesis products cover four major joints of human bodies (namely hip, knee, shoulder and elbow) while our 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, series of fusion products for cervical, thoracic and lumbar vertebrae. Our sports medical products are non-absorbable suture anchors. In addition, our 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**

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 its 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 us 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, there are over 300 hospitals from 31 provinces in the PRC, which have joined the research program, being the first domestic program for follow-ups and trackings focused on the clinical effectiveness of joint prosthesis of such a large scale.

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. 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, we will accelerate the research and development of our 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 (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. In December 2021, the Project’s “tantalum metal trabecula fillings” (鈮金屬骨小梁填充塊) was accepted by the National Medical Products Administration for review and approval for registration.

As of 31 December 2021, there were two postdoctoral scientific researchers at the Company’s postdoctoral scientific research workstation. In 2021, the Company’s postdoctoral scientific research workstation was granted 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). It has also partaken in various projects, including 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, the project “Research on Porous Tantalum Artificial Vertebrae (多孔鈮人工椎體研究)” of Beijing Outstanding Young Engineer Innovation Studio (北京優秀青年工程師創新工作室). 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 December 31, 2021, the Company had obtained 283 domestic intellectual properties, including 31 invention patents, 245 utility model patents, 1 design patent and 6 software copyrights. A total of 8 PCT patent applications were filed. The abundant patent licenses are the centralized manifestation of the Company’s innovation ability and core competitiveness.

## **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, we 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 our 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.

In March 2021, three products of the Company, namely 160 femoral stem (160型股骨柄), spinal fusion device (脊柱融合器) and shoulder joint prosthesis (肩關節假體), 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). The certificate numbers are XCP2020SY0402, XCP2020SY0403 and XCP2020SY0404, 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.

## Extensive distribution and sales network

We have 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 our products are sold in the PRC and some are exported to 38 countries and regions in Asia, South America, Africa, Oceania and Europe under the brand name of “春立 Chunli”.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by 18.18% from approximately RMB937.7 million for the year ended 2020 to approximately RMB1,108.1 million for the year ended 2021, mainly attributable to the growth in sales of joint prosthesis products and expansion of sales network.

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

Product category	Year ended 31 December		Growth over corresponding period
	2021 (RMB'000)	2020 (RMB'000)	
Joint prosthesis products	1,039,130	909,831	14.21%
Spinal products	68,100	27,729	145.59%
Other businesses	910	126	622.22%
Total	<u>1,108,140</u>	<u>937,686</u>	<u>18.18%</u>

### Joint prosthesis products

Revenue from joint prosthesis products increased by 14.21% from approximately RMB909.8 million for the year ended 2020 to approximately RMB1,039.1 million for the year ended 2021, which was mainly attributable to the rapid growth of our primary high-end products, such as ceramic joint prosthesis products, XN series knee joint prosthesis products and minimal invasive hip joint prosthesis products, in the industry.

We are the first enterprise in China to obtain a registration certificate for the fourth generation of ceramic joint medical devices covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the first domestic enterprises to manufacture advanced joint prosthesis products. The Company was awarded tenders of a large scale, which covered a comprehensive range of our various product lines, such that our joint prosthesis products enjoyed a growth in sales volume.

In addition, the Company is the first and the sole domestic enterprise to introduce DAMIS and advanced minimal invasive techniques from Europe. The Company has put a lot of efforts into the promotion and application of DAMIS products and techniques, which in turn drove the increase in sales volume of minimal invasion related products.

## **Gross profit**

Our gross profit increased by 25.53% from approximately RMB680.8 million for the year ended 2020 to approximately RMB854.5 million for the year ended 2021, which was mainly attributable to the rapid growth of primary joint prosthesis products such as ceramic joint prosthesis products, XN series knee joint prosthesis products, which are medium-to-high-end products of relatively higher unit prices, in the industry.

Our gross profit margin increased from 72.60% for the year ended 2020 to 77.11% for the year ended 2021, which was mainly attributable to 1) the increased proportion of the sales income from the regions under the “Two-Invoice System” policy; 2) the mass production by the Company leading to the relative decrease in fixed cost; 3) the purchase price of outsourced spray paint manufacturers has decreased, resulting in a gradual reduction in outsourcing costs; and 4) the fact that some of our major raw materials such as cobalt blanks and titanium blanks have gradually sourced from self-production instead of external procurement, leading to a decrease in the Company’s raw material costs.

## **Selling expenses**

Our selling expenses increased from approximately RMB241.0 million for the year ended 2020 to approximately RMB342.0 million for the year ended 2021. The increase in selling expenses was mainly attributable to 1) the fact that with the implementation of the “Two-Invoice System” policy, the Company’s revenue from the two-invoice system distribution model and the distributor model continued to expand, and the Company’s sales service fees increased accordingly; and 2) the greater marketing efforts made and the active participation or organization of exhibitions, meetings, academy forums and other online or offline promotion activities to enhance the brand influence and awareness of the Company.

## **Administrative expenses**

Our administrative expenses decreased from approximately RMB31.2 million for the year ended 2020 to approximately RMB30.7 million for the year ended 2021. The administrative expenses for the current period remained substantially the same with that of the corresponding period last year.

## **Research and development expenses**

Our research and development expenses increased by 44.35% from approximately RMB72.6 million for the year ended 2020 to approximately RMB104.8 million for the year ended 2021. Our research and development expenses in 2021 accounted for 9.46% of the annual revenue. It was mainly because that the Company attached importance to the research and development of new products, new technologies and new processes, and continuously increased the expenses spent on the verification of the research and development projects and the research and development personnel. In view of the momentum of the national centralized procurement of joints, the Company has increased investment in product development for new product lines such as joint surgery robots, sports medicine, PRP and dentistry.

### **Impairment loss of credits**

Our impairment loss of credits increased from approximately RMB6.4 million for the year ended 2020 to approximately RMB16.8 million for the year ended 2021, which was mainly attributable to the increase in impairment of accounts receivable in accordance with the impairment policy of the Company.

### **Impairment loss of assets**

Our impairment loss of assets increased from approximately RMB0.2 million for the year ended 2020 to approximately RMB10.5 million for the year ended 2021, which was mainly attributable to the increase in impairment charges according to the Company's inventories.

### **Income tax expenses**

Our income tax expenses decreased from approximately RMB46.5 million for the year ended 2020 to approximately RMB45.0 million for the year ended 2021, which was mainly attributable to the decrease in income tax expense as benefitted from the preferential tax policy in 2021.

### **Net profit for the year**

Our net profit increased by 13.76% from approximately RMB283.4 million for the year ended 2020 to approximately RMB322.4 million for the year ended 2021. The increase in net profit was mainly attributable to the increase in our revenue and the improvement of gross profit margin.

### **Liquidity and capital resources**

Our liquidity increased by 48.66% from approximately RMB690.1 million for the year ended 2020 to approximately RMB1,736.5 million for the year ended 2021.

Our principal sources of liquidity are generated from our 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 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	Proportion	Amount available (RMB million)	Expense as of 31 December 2021 (RMB million)	Outstanding amount as of 31 December 2021 (RMB million)	Expected timeline for the application of the unutilised proceeds
First-installment expense for the development of Daxing New Production Base	50%	92.93	75.78	17.15	By 31 December 2022
Research and development activities	20.20%	37.54	13.35	24.19	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	
Working capital and other general corporate purposes	9.80%	18.21	18.21	0	
<b>Total</b>	<b>100%</b>	<b>185.86</b>	<b>144.51</b>	<b>41.34</b>	

## 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.

	Planned uses of proceeds (RMB'000)	Utilized proceeds as of 31 December 2021 (RMB'000)	Unutilized proceeds as of 31 December 2021 (RMB'000)	Expected timeline for the application of the unutilized proceeds
<b>Committed Investments</b>				
Integrated construction project of orthopedic implant and ancillary materials	460,000.00		460,000.00	August 2024
Research and development centre construction project	360,000.00	1.2	359,998.80	December 2024
Marketing network construction project	80,000.00		80,000.00	December 2024
Replenishment of working capital project	167,128.30		167,128.30	Not applicable
<b>Total</b>	<b>1,067,128.30</b>	<b>1.2</b>	<b>1,067,127.10</b>	

*Note 1:* The total issuance expenses of the Company was RMB78,410,387.77. As of 31 December 2021, the actual issuance expenses paid by the Company was RMB69,680,008.04 and the outstanding issuance expenses amounted to RMB8,730,379.73.

After deducting the total issuance expenses, the net proceeds raised amounted to RMB1,067,128,292.23. As of 31 December 2021, taking into account the outstanding issuance expenses, the balance of the net proceeds raised amounted to RMB1,075,857,471.96.

*Note 2:* As of 31 December 2021, the Company's own fundings invested into the fund-raising activity has not been released. Therefore, the Company's own fundings invested into the fund-raising activity has not been included into the total proceeds raised as of 31 December 2021.

*Note 3:* As of 31 December 2021, the only expenses charged from the Company's proceeds account was the payment of administration fee of RMB1,200 to Beijing Daxing Branch of China Construction Bank Corporation.

## **Inventory**

Our inventory decreased from approximately RMB168.6 million for the year ended 2020 to approximately RMB159.7 million for the year ended 2021 and the inventory remained the same generally with that of the corresponding period last year.

## **Fixed assets and construction in progress**

Our fixed assets and construction in progress increased from approximately RMB162.8 million for the year ended 31 December 2020 to approximately RMB392.6 million for the year ended 31 December 2021, which was mainly attributable to the increase in our investment in the acquisition of production facilities and construction works in 2021.

## **Net current assets**

Our net current assets increased by 126.22% from approximately RMB884.5 million for the year ended 31 December 2020 to approximately RMB2,008.1 million for the year ended 31 December 2021, which was mainly attributable to 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.

## **Working capital and financial resources**

### ***Cash flow analysis***

As at 31 December 2021, our net cash inflow generated from operating activities was approximately RMB164.8 million, which was mainly due to receipts of cash from the sales of goods; our net cash outflow generated from investment activities was approximately RMB190.3 million, which was mainly due to the acquisition of fixed assets and construction in progress; our net cash inflow generated from financing activities was approximately RMB1,073.7 million, which was mainly due to the proceeds raised from the Company's A Share offering on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 30 December 2021; and our cash and cash equivalents increased by approximately RMB1,046.4 million as compared to the end of last year.

### ***Capital expenditure***

Our 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 2021, we did not have any significant contingent liabilities or guarantees.

## **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. We 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, we 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. We plan to implement the following strategies:

### **Diversify our product series**

We 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. We 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 intelligence of surgical procedure. 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.

We are 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, we believe that advanced, customized and individualized joint prosthesis products can generate higher profit margins. Meanwhile, the relevant regulations issued by the NMPA in 2020 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.

In 2020, we launched the first domestic handheld orthopedic robot system "Yangtze River INS (長江INS)", which can guide the surgeon to achieve precise osteotomy, shorten the operation time, accelerate the recovery of the patient, and reduce the operation cost of the patient. The system will break the deadlock of the shortage of intelligent domestic medical devices, facilitate the iterative upgrade of the medical industry, and open up a new era of precise medical treatment.

### **Strengthen our innovation ability and increase the research and development resources**

In the future, we 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. We 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, we 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, we 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. We 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 our 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. We 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 our brand influence.

### **Talent development and incentives**

We 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, we have established an effective incentive and appraisal system to motivate the work initiative and enthusiasm of employees.

## **EMPLOYEE**

As at 31 December 2021, our Group had approximately a total of 951 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 2021, the total salaries and related costs paid to our employees were approximately RMB143.3 million. Our 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, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

As described in the section headed “Issuance of A shares and listing on the Science and Technology Innovation Board and Strategic Allotment Under the A Share Offering by Connected Persons”, the Company issued 38,428,000 A Shares on the Science and Technology Innovation Board on 30 December 2021.

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 2021.

## **2021 FINAL DIVIDEND**

The Board recommends the payment of a final dividend of RMB1.30 per 10 shares in cash (tax inclusive) for the year ended 31 December 2021 (31 December 2020: Nil). 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 2022 to shareholders whose names appear on the register of members of the Company as at 7 June 2022 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 1 June 2022. 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 26 May 2022 to 1 June 2022 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 25 May 2022 (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 8 June 2022 to 10 June 2022 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on 7 June 2022 (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 BY 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.

## **CORPORATE GOVERNANCE**

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our 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 our Company's corporate governance practices. Pursuant to code provision C.2.1 (former code provision A.2.1) of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, prior to the date of this announcement, Mr. Shi Chunbao still performs the roles as the chairman and general manager of the Company. On 28 March, 2022, following the resignation as the general manager by Mr. Shi Chunbao, Mr. Shi Chunsheng has been appointed as the general manager of the Company to succeed Mr. Shi Chunbao. The Board believes that after the above appointment, the Company complies with the requirement under code provision C.2.1 that the operation management and daily business management of the Board is clearly segregated.

Save as disclosed above, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code for the year ended 31 December 2021.

## **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 year ended 31 December 2021.

## **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 our Company's consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices applied.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL 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 2021 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 HKExnews website of the Stock Exchange in due course.

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

Beijing, the PRC, 28 March 2022

*As at the date of this announcement, the executive directors of the Company are 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.*

\* *For identification purposes only*