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北京市春立正達醫療器械股份有限公司

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

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

(Stock Code: 1858)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “**Board**”) of Beijing Chunlizhengda Medical Instruments Co., Ltd.* (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023. The results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Accounting Standards of the People’s Republic of China (the “**PRC**”).

* For identification purposes only

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	Notes	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Current assets:			
Monetary capital		855,124,538.98	957,193,661.02
Held-for-trading financial assets		824,618,345.89	767,727,534.25
Financial assets at fair value through profit and loss		—	—
Derivative financial assets		—	—
Notes receivable		148,909,968.63	278,639,012.00
Accounts receivable	2	578,927,472.41	488,746,494.02
Prepayment		10,014,826.13	12,699,528.18
Other receivables		706,896.18	675,810.93
Including: Interests receivable		—	—
Dividends receivable		—	—
Inventories		387,388,842.01	259,789,488.85
Contract assets		—	—
Assets held-for-sale		—	—
Non-current assets due within one year		—	—
Other current assets		15,748,234.77	13,617,453.61
Total current assets		2,821,439,125.00	2,779,088,982.86
Non-current assets:			
Debt investments		—	—
Available-for-sale financial assets		—	—
Other debt investments		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other investments in equity instruments		—	—
Other non-current financial assets		—	—
Investment property		—	—
Fixed assets		274,116,011.49	278,294,518.06
Construction in progress		197,723,632.67	185,101,678.99
Productive biological assets		—	—
Oil & gas assets		—	—
Right-of-use assets		1,211,990.23	1,875,408.53
Intangible assets		137,018,826.06	138,167,738.59
Development expenditures		—	—
Goodwill		13,359,553.09	—
Long-term prepayments		—	—
Deferred income tax assets		25,642,305.44	25,761,809.04
Other non-current assets		1,946,550.39	1,476,554.84
Total non-current assets		651,018,869.37	630,677,708.05
Total assets		3,472,457,994.37	3,409,766,690.91

Item	<i>Notes</i>	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Current liabilities:			
Short-term borrowings		–	–
Held-for-trading financial liabilities		–	–
Financial liabilities at fair value through profit and loss		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	3	232,142,733.03	237,786,563.39
Advances received		–	–
Contract liabilities		92,639,701.23	85,681,592.64
Employee remuneration payable		25,795,502.60	69,723,670.57
Taxes payable		33,750,558.87	53,550,224.66
Other payables		194,261,029.62	72,509,089.96
Including: Interests payable		–	–
Dividends payable		120,056,940.50	–
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		665,172.47	688,285.72
Other current liabilities		71,101,218.71	75,865,112.99
Total current liabilities		<u>650,355,916.53</u>	<u>595,804,539.93</u>
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		84,260,288.55	85,757,219.55
Deferred income tax liabilities		10,439,311.12	7,879,291.52
Other non-current liabilities		–	–
Total non-current liabilities		<u>94,699,599.67</u>	<u>94,262,371.26</u>
Total liabilities		<u>745,055,516.20</u>	<u>690,066,911.19</u>

Item	<i>Notes</i>	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Shareholders' equity:			
Share capital	4	383,568,500.00	384,280,000.00
Other equity instruments			
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve	5	1,044,799,419.83	1,051,228,272.24
Less: Treasury shares		–	7,140,352.41
Other comprehensive income		–	–
Specific reserve		–	–
Surplus reserve	6	154,599,501.79	154,599,501.79
Undistributed profits	7	<u>1,142,752,455.60</u>	<u>1,136,732,358.10</u>
Total interests attributable to shareholders of the parent company		<u>2,725,719,877.22</u>	2,719,699,779.72
Minority interests		<u>1,682,600.95</u>	–
Total shareholders' equity		<u>2,727,402,478.17</u>	<u>2,719,699,779.72</u>
Total liabilities and shareholders' equity		<u>3,472,457,994.37</u>	<u>3,409,766,690.91</u>
Net current assets		<u>2,171,083,208.47</u>	<u>2,183,284,442.93</u>
Total assets less current liabilities		<u>2,822,102,077.84</u>	<u>2,813,962,150.98</u>

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item	Notes	Six months ended 30 June	
		2023 RMB	2022 RMB
I. Revenue	8	540,706,888.57	571,391,616.43
Less: Operational costs	8	149,300,529.61	145,594,637.37
Taxes and levies		4,021,717.04	7,527,471.97
Selling expenses		166,890,048.29	155,014,781.22
Administrative expenses		18,957,836.76	15,464,147.98
Research and development expenses		74,572,384.70	72,289,835.94
Finance expenses		(4,993,937.49)	(5,778,256.50)
Including: Interest expenses		39,312.28	34,890.22
Interest proceeds		4,458,526.31	3,290,835.64
Add: Other gains		4,015,733.88	2,593,019.91
		<hr/>	<hr/>
Investment income/(loss)		10,067,668.50	3,557,534.25
Including: Investment income from			
associates and joint ventures		-	-
Income/(loss) from			
derecognition of financial			
assets at amortised cost		-	-
Net profit/(loss) on hedging			
exposure		-	-
Gains/(losses) on changes of			
fair value		4,382,142.85	3,962,082.19
Loss on credit impairment		(8,788,283.97)	(14,310,980.47)
Loss on asset impairment		(3,175,940.28)	(2,468,465.22)
Gains/(losses) on disposal of			
assets		-	25,305.66
		<hr/>	<hr/>
II. Operating profit/(loss)		138,459,630.64	174,637,494.77
Add: Non-operating income		286,636.36	44,033.11
Less: Non-operating expenses		209,028.67	2,284,268.26
		<hr/>	<hr/>
III. Gross profit/(loss)		138,537,238.33	172,397,259.62
Less: income tax expenses	9	12,552,076.63	15,414,763.02
		<hr/>	<hr/>

Item	Notes	Six months ended 30 June	
		2023 RMB	2022 RMB
IV. Net profit/(net loss)		125,985,161.70	156,982,496.60
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations		125,985,161.70	156,982,496.60
2. Net profit attributable to ceased operations		<u> -</u>	<u> -</u>
(II) Categorized by ownership:			
1. Net profit attributable to the shareholders of the parent company		126,077,038.00	156,982,496.60
2. Minority profit or loss		(91,876.30)	<u> -</u>
V. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to the shareholders of the parent company		<u> -</u>	<u> -</u>
Net other comprehensive income after tax attributable to minority shareholders		<u> -</u>	<u> -</u>
VI. Total comprehensive income		125,985,161.70	156,982,496.60
Total comprehensive income attributable to the shareholders of the parent company		126,077,038.00	156,982,496.60
Total comprehensive income attributable to minority shareholders		(91,876.30)	<u> -</u>
VII. Earnings per share			
(I) Basic earnings per share	10	0.33	0.41
(II) Diluted earnings per share	10	0.33	0.41

Notes:

1 GENERAL

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

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

The Company completed its A Share Offering (the “**A Share Offering**”) on 30 December 2021 on the Science and Technology Innovation Board of the Shanghai Stock Exchange. The public offering of 38,428,000 A shares represents 10% of the total share capital of the Company after the A Share Offering. The aggregate number of A Shares and H Shares held by public shareholders after the completion of the A Share Offering represents 34.94% of the total share capital after the A Share Offering, which is not less than 25% of the total share capital after the A Share Offering. The A Share Offering only involved the 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 included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance which as of 30 June 2023 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” 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 conformed to the Accounting Standards for Business Enterprises in the PRC (the “**ASBE**”) issued by the Ministry of Finance of the PRC (the “**MOF**”), the related specific standards, the Accounting Standards for Business Enterprises Application Guidance, the PRC Accounting Standards Bulletins and other relevant regulations (hereinafter referred to as the “China Accounting Standards for Business Enterprises”, the “**CASBE**”).

In preparing the financial statements of the Company as of 30 June 2023, the Group has adopted all of the new and revised CASBE issued by the MOF that are effective as of 30 June 2023.

2 ACCOUNTS RECEIVABLE

Categories of accounts receivable:

Item		Individually significant and for which provision is individually assessed	Provision made for bad debts by portfolios	Credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As at 31 December 2022							
Carrying amount	Amount (RMB)	–	540,695,593.77	540,695,593.77	540,695,593.77	–	540,695,593.77
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	51,949,099.75	51,949,099.75	51,949,099.75	–	51,949,099.75
	Percentage (%)	–	9.61	9.61	9.61	–	9.61
Net amount		–	488,746,494.02	488,746,494.02	488,746,494.02	–	488,746,494.02
As at 30 June 2023							
Carrying amount	Amount (RMB)	–	639,700,179.44	639,700,179.44	639,700,179.44	–	639,700,179.44
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	60,772,707.03	60,772,707.03	60,772,707.03	–	60,772,707.03
	Percentage (%)	–	9.50	9.50	9.50	–	9.50
Net amount		–	578,927,472.41	578,927,472.41	578,927,472.41	–	578,927,472.41

Credit risk characteristics group:

Aging	As at 30 June 2023			As at 31 December 2022		
	Carrying amount		Provision amount	Carrying amount		Provision amount
	RMB	Percentage %	RMB	RMB	Percentage %	RMB
Within one year	521,179,452.08	81.47	26,058,972.61	446,765,286.47	82.63	22,338,264.32
1 to 2 years	92,754,930.47	14.50	13,913,239.57	71,233,409.68	13.17	10,685,011.45
2 to 3 years	9,930,604.09	1.55	4,965,302.05	7,542,147.29	1.39	3,771,073.65
More than 3 years	15,835,192.80	2.48	15,835,192.80	15,154,750.33	2.80	15,154,750.33
Total	639,700,179.44	100.00	60,772,707.03	540,695,593.77	100.00	51,949,099.75

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

3 ACCOUNTS PAYABLE

Item	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Purchasing of materials and others	164,066,918.03	166,360,323.15
Purchasing of machines equipment and engineering	68,075,815.00	71,426,240.24
Total	<u>232,142,733.03</u>	<u>237,786,563.39</u>

Aging analysis of accounts payable is as follows:

Item	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Within one year (inclusive)	224,678,588.57	233,129,239.02
More than one year	7,464,144.46	4,657,324.37
Total	<u>232,142,733.03</u>	<u>237,786,563.39</u>

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

4 SHARE CAPITAL

Unit: share

	Before movement for the period		Movement for the period (+,-)					After movement for the period	
	Amount	Percentage (%)	Issue of new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	Amount	Percentage (%)
I. Restricted shares	210,670,455	54.82						210,670,455	54.92
1. State-owned shares									
2. Shares held by state-owned legal person									
3. Other domestic shares	210,670,455	54.82						210,670,455	54.92
including: Shares held by domestic non- state-owned legal person	1,537,120	0.40						1,537,120	0.40
Shares held by domestic natural person	209,133,335	54.42						209,133,335	54.52
4. Shares held by foreign entities including: Shares held by foreign legal person									
Shares held by foreign natural person									
II. Non-restricted tradable shares	173,609,545	45.18				-711,500	-711,500	172,898,045	45.08
1. RMB-denominated ordinary shares	77,757,545	20.23						77,757,545	20.27
2. Domestically listed foreign shares									
3. Overseas listed foreign shares	95,852,000	24.94				-711,500	-711,500	95,140,500	24.80
4. Others									
III. Total number of shares	384,280,000	100				-711,500	-711,500	383,568,500	100.00

5 CAPITAL RESERVE

Item	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Capital premium	1,042,999,419.83	1,049,428,272.24
Other capital reserve	<u>1,800,000.00</u>	<u>1,800,000.00</u>
Total	<u>1,044,799,419.83</u>	<u>1,051,228,272.24</u>

6 SURPLUS RESERVE

Item	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Statutory surplus reserve	<u>154,599,501.79</u>	<u>154,599,501.79</u>

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

7 RETAINED EARNINGS

Item	As at 30 June 2023 RMB	As at 31 December 2022 RMB
Closing balances of the preceding year	<u>1,136,732,358.10</u>	<u>908,847,424.37</u>
Opening balances of the current year	1,136,732,358.10	908,847,424.37
Add: Net profit attributable to the owners of the parent company for the period	126,077,038.00	307,719,145.65
Less: Transfer to statutory reserve fund	–	29,877,811.92
Declaration of dividend	120,056,940.50	49,956,400.00
Dividend of ordinary shares transferred to share capital	<u>–</u>	<u>–</u>
Closing balances of the current year	<u>1,142,752,455.60</u>	<u>1,136,732,358.10</u>

8 REVENUE AND COST OF SALES

Item	Six months ended 30 June	
	2023	2022
	RMB	RMB
Revenue from principal operation	540,241,563.44	569,856,989.16
Revenue from other operations	465,325.13	1,534,627.27
	<u>540,706,888.57</u>	<u>571,391,616.43</u>
Cost of sales	<u>149,300,529.61</u>	<u>145,594,637.37</u>

Revenue and cost of sales (classified by products)

Item	Six months ended 30 June	
	2023	2022
	RMB	RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	<u>540,241,563.44</u>	<u>569,856,989.16</u>
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	<u>149,300,529.61</u>	<u>145,594,637.37</u>

Revenue and cost of sales (classified by geographical areas)

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

Area	Six months ended 30 June	
	2023	2022
	RMB	RMB
The PRC	454,087,584.58	529,940,616.65
Other than the PRC	<u>86,619,303.99</u>	<u>41,450,999.78</u>
Total	<u>540,706,888.57</u>	<u>571,391,616.43</u>

9 INCOME TAX EXPENSES

Item	Six months ended 30 June	
	2023 RMB	2022 RMB
Current income tax calculated in accordance with relevant tax laws and regulations	9,992,553.43	13,034,992.32
Deferred income tax	2,559,523.20	2,379,770.70
Total	<u>12,552,076.63</u>	<u>15,414,763.02</u>

Applicable tax rate

Information of corporate income tax rates for different taxable entities as of 30 June 2023:

Name of Taxable Entity	Standard Corporate Income Tax Rate	Applicable Corporate Income Tax Rate
Beijing Chunlizhengda Medical Instruments Co., Ltd.* (北京市春立正達醫療器械股份有限公司)	25%	15%
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	25%	Income tax rates for small and micro enterprises
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	25%	15%
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	25%	Income tax rates for small and micro enterprises
Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	25%	Income tax rates for small and micro enterprises
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	25%	Income tax rates for small and micro enterprises
Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司)	25%	Income tax rates for small and micro enterprises
SurgiMaster Technology (Suzhou) Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	25%	Income tax rates for small and micro enterprises

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

Item	Six months ended 30 June	
	2023 RMB	2022 RMB
Profit before tax	<u>138,537,238.33</u>	<u>172,397,259.62</u>
Income tax expenses based on statutory/applicable tax rate	20,780,585.74	25,859,588.94
Effect of different tax rate applicable to subsidiaries	(72,078.87)	187,484.82
Effect of prior income tax reconciliation	2,504,285.45	(1,659,667.55)
Effect of non-deductible costs, expenses and losses	343,004.53	132,201.94
Effect of using the deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	(28,511.29)	(72,785.52)
Effects of additionally deductible research and development costs and others	(10,997,108.28)	(9,191,368.39)
Effect of unrecognized deductible temporary differences or deductible losses of deferred income tax assets in the current period	<u>21,899.35</u>	<u>159,308.79</u>
Income tax expenses	<u>12,552,076.63</u>	<u>15,414,763.02</u>

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

Calculation result

Item	Six months ended 30 June	
	2023 RMB	2022 RMB
Earnings per share		
Net profit attributable to equity owners of the Company	<u>0.33</u>	<u>0.41</u>
Diluted earnings per share		
Net profit attributable to equity owners of the Company	<u>0.33</u>	<u>0.41</u>

Calculation process of basic earnings per share

		Six months ended 30 June	
		2023	2022
Net profit attributable to equity owners of the Company (RMB)	A	<u>125,985,161.70</u>	<u>156,982,496.60</u>
Number of shares at beginning of the year	B	<u>383,568,500.00</u>	<u>384,280,000.00</u>
Number of shares issued – Offer Shares	C1	<u>–</u>	<u>–</u>
Number of shares issued – Over-allotment Shares	C2	<u>–</u>	<u>–</u>
Number of shares at closing of the period	C3	<u>–</u>	<u>–</u>
Cumulated months after the increase of shares – Offer Shares	D1	<u>–</u>	<u>–</u>
Cumulated months after the increase of shares – Over-allotment Shares	D2	<u>–</u>	<u>–</u>
Number of months	D3	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares outstanding	$E=B+C1*D1/D3+C2*D2/D3$	<u>383,568,500.00</u>	<u>384,280,000.00</u>
Basic earnings per share (RMB)	$F=A/E$	<u>0.33</u>	<u>0.41</u>

Calculation process of diluted earnings per share

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

11 SEGMENT INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

The orthopedic medical device ^(note 1) 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 ^(note 2). 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.

During the reporting period, the Company conducted in-depth research and analysis on the China's Volume-based Procurement policy, and actively took countermeasures. It promotes the stable implementation of the selection outcome of the centralized and volume-based procurement of artificial joint through seven aspects, namely regulating the launch and the price of products, implementing the policy of medical insurance fund prepayment, refining the connection of the policy on the payment of medical insurance fund, implementing the policy of retaining and usage of balance and coordinating the price adjustment on medical services, ensuring the stable supply of products selected, regulating the procurement and usage by medical institutions, and supervising the implementation. In the field of orthopedic joints, the Company continued to maintain its leading position in the industry. All the hip joint products signed up to tenders by the Company have won the bid. In the field of spine, in September 2022, Centralized Volume-based Procurement of Orthopedic and Spinal Consumables Organized by the State announced the results that all eight product system categories submitted by the Company won the bid. Each region has implemented the results successively from the first quarter of 2023. At the same time, the Company will actively promote the construction of marketing network to further increase its market share.

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 medical device can be divided into five major segments, namely trauma, spine, joint, sports medicine and others. In particular, the joint implant market is highly concentrated with multinational corporations dominating the market segment. With the advancement of the healthcare reform in the PRC and governmental support to Chinese companies through favorable policies, domestic companies are expected to increase their market share by upgrading their product offerings.

Note:

1. Orthopedic medical device refer to medical device that are used for orthopedic disease treatment and recovery, mainly including orthopedic medical implant instruments and orthopedic operation implant instruments.
2. Orthopedic implants, orthopedic implant medical device, orthopedic implant materials refer to medical device products that are used for replacing or as an adjuvant treatment for injured bones and skeleton and implanted into human bodies, including joint implants (such as knee joints, hip joint, shoulder joints and elbow joints), spine implants and trauma implants (such as calcaneal plates and bone pegs), excluding dental fillings.

Comprehensive medical device registration certificates

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

As of 30 June 2023, the Company held 102 medical device registration certificates and recordation certificates in the PRC which cover joint prosthesis products for four major joints, spinal products, sports medical products, orthodontic products, maxillofacial surgery products, and PRP products, of which 34 are Class III medical device registration certificates, 21 are Class II medical device registration certificates and 47 are Class I medical device recordation certificates. The possession of comprehensive product registration certificates and recordation certificates is the key factor for enterprises to be more competitive in the market. The various registration certificates further diversified the Company’s product lines and expanded the Company’s layout in the orthopedic field to constantly meet the diversified market and clinical needs. This will strengthen the Company’s comprehensive competitiveness and be conducive to further enhancing the Company’s market expansion capability.

Obtaining a large number of registration certificates both domestically and internationally during the first half of 2023 is the result of our increased investment in research and development in recent years, serves as the beginning of acceleration in obtaining such certificates, and demonstrates that we are developing from the leading enterprise in artificial joint in PRC to an orthopedic enterprise covering segments like joints, spine, trauma and sports medical rapidly.

Strong research and development capabilities

The Company is an early domestic enterprise engaged in the research, development and production of artificial joint prosthesis products and a large-scale joint prosthesis manufacturer in China. As one of the leading enterprises in joint industry in China, the Company will continue to “inherit the past, and research and develop the refined products” and always design tailor-made prosthesis for Chinese people with the concept of “regarding the products as self-used and continuous innovation” in order to become a world-renowned orthopedic enterprise. By providing high-quality products for global customers, the Company will become an orthopedic world-renowned enterprise. After more than 20 years of development, the brand of “Chunli” has established a high-quality and high-reliability image. As G20 Innovation Leading Enterprise of “Thirteenth Five-Year Plan” and National High-tech Enterprise, the Company has scientific research platforms such as post-doctoral scientific research workstations, and holds qualifications such as Beijing Municipal Enterprise Technology Center and Beijing Artificial Joint Engineering Laboratory. The Company has undertaken government projects of Ministry of Science and Technology of PRC, Beijing Municipal Commission of Science and Technology, Beijing Municipal Commission of Development and Reform, and Beijing Municipal Commission of Economy and Informatization for multiple times. The Company led standard artificial joints, customized joints and spine products in China, broke the foreign monopoly and advanced the independent innovation of domestic medical devices.

As of 30 June 2023, the projects of the Company approved by the government include:

- 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" (生物醫用鈳合金表面原位自生氧化陶瓷層的製備技術及其性能研究);
- "The Development and Clinical Application of Porous Tantalum Bone Repair Materials and Implantable Products" (多孔鈳骨修復材料及植入性產品開發與臨床應用) as a key special project in the national key research and development program of the Ministry of Science and Technology of the PRC in 2020;
- "Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants" (高品質醫用金屬粉體材料及增材製造金屬植入體研發) as a key special project in the national key research and development program of the Ministry of Science and Technology of the PRC in 2022;
- Three projects, namely "Biodegradable Medical Magnesium Alloy Materials (可降解醫用鎂合金材料)", "Tantalum Alloy Powder for Medical Additive Manufacturing (醫用增材製造用鈳粉)", and "Biphasic calcium phosphate (雙相磷酸鈣)" were shortlisted in the First Batch of "Biomedical Material Innovation Task (生物醫用材料創新任務)" of the Ministry of Industry and Information Technology and the General Department of the National Medical Products Administration at the same time;
- The Chinese Postdoctoral Science Foundation's "Study of Ceramic Composite Modification on the Surface of Medical Zirconium Alloy and Its Performance" (醫用鈳合金表面陶瓷複合化改性及其服役性能研究);
- "National Innovation Clinical Research on Class III Medical Device – Minimal Invasion Single Knee Joint Prosthesis" of Zhongguancun Major Frontier Original Technical Achievements Transformation and Industrialization Project; (audited and passed acceptance)
- The "Clinical Study on New Species and Upgrade of Key Technology – Clinical Study and Construction of Pilot Production Capacity of Spinal Artificial Vertebral Fixation System" of Beijing Technology Plan Project; (audited and passed acceptance)
- 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" (鈳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);
- "Industrialization of Uni-condylar Knee Joint Prosthesis (單髌膝關節假體產業化)" of the Patent Achievement Industrialization Project of Tongzhou District; (audited and passed acceptance)
- "Industrialization of Ceramic Hip Joint Prostheses (陶瓷髖關節假體產業化項目)" of Patent Implementation Project of Tongzhou District; (audited and passed acceptance)

- “Clinical Study and Production Capacity Building for VE Hip Joint Prostheses (VE髖關節假體臨床研究與產能建設)” of Science and Technology Program Project of Tongzhou District; (audited and passed acceptance)
- “Industrialization of Spinal Products” of the Patent and Technology Achievement Industrialization Project of Tongzhou District; (audited and passed acceptance)
- “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) of Science and Technology Program Results Transformation Project of Tongzhou District; (audited and passed acceptance)
- “Knee Orthopedic Surgery Guide System: Yellow River INS-1 Clinical Research (膝關節骨科手術導航系統黃河INS-1臨床研究)” approved by Tongzhou District Committee of Science and Technology.

As of 30 June 2023 the Company has obtained the following honorary qualifications:

- The “Typical Application Scenario of Mass Customization” project of the Company is included in the national “List of Outstanding Scenario for Smart Manufacturing 2021”;
- The Company has been awarded the national Specialized, Excellent, Featured and Innovative “Little Giant” Enterprise by Ministry of Industry and Information Technology of the PRC in 2022;
- The Company has been awarded Beijing Specialized, Excellent, Featured and Innovative “Little Giant” Enterprises (Number: 2022XJR0038) by Beijing Municipal Bureau of Economy and Information Technology in 2022;
- The Company has been awarded “Beijing Specialized, Excellent, Featured and Innovative Small and Medium-sized Enterprises (Number: 2022ZJTX0032)” by Beijing Municipal Bureau of Economy and Information Technology in 2022;
- The Company has obtained the High and New Technology Enterprise Certificate (Certificate No. GR202111003321) issued by Beijing Municipal Commission of Science and Technology Commission, Beijing Municipal Finance Bureau, and State Taxation Administration Beijing Municipal Tax Service in 2021;
- The Company has obtained Zhongguancun High-technology Enterprises (Number: 20232090332204) issued by Administrative Commission of Zhongguancun Science Park in 2023;
- The Company has obtained Beijing Intellectual Property Demonstration Unit issued by Beijing Municipal Intellectual Property Office in 2022;
- The Company has obtained “Beijing Enterprise Innovation Credit Leading Enterprise” and “Comprehensive Credit Rating of Enterprise Certificate” issued by Beijing Committee of Beijing Enterprise Innovation Credit Leading Activities in 2022;
- The Company has obtained “Beijing Maker Excellence Award Certificate” for its project “Industrialization of Uni-condylar Knee Joint Prosthesis” in 2022.

In March 2023, the Testing Center of Beijing Chunlizhengda Medical Instruments Co., Ltd.* passed the CNAS review evaluation for laboratory and obtained China National Accreditation Service for Conformity Assessment – Laboratory Accreditation Decision and Accreditation Certificate.

In the field of artificial joints prosthesis, the Vitamin E high cross-linked polyethylene hip and knee products of the Company have been approved for marketing by the National Medical Products Administration (Guo Xie Zhu Zhun 20223130744 (國械註准20223130744) and Guo Xie Zhu Zhun 20223130868(國械註准20223130868)), being the first domestic company whose joint prosthesis products approved for marketing. The launch of such products by the Company has filled the gap in domestic market and has made the Company’s joint prosthesis the best domestic knee joint prosthesis in terms of abrasion resistance. In addition, the Company obtained the registration certificate for trabecula acetabular implant, 3D-printed “hip joints” registration certificate, which marked the breakthrough of the Company in the field of 3D-printed artificial prosthesis. The launch of these new products will increase the market share of the Company’s knee joint prosthesis, further enrich the joint prosthesis product line of the Company and further increase the market share of the Company’s joint prosthesis products.

In the field of spinal product, the Company continued to enrich its spinal product line: during the reporting period, the Company obtained registration certificates for self-stabilized cervical lumbar cages (自穩型頸椎椎間融合器), vertebral fixation system and spinal plate fixation system. Obtaining the above-mentioned registration certificates for spinal products has enriched the spinal product line of the Company, further enhanced the Company’s market competitiveness in the spinal orthopedic industry and maintained its leading market share.

In the field of trauma, the Company has actively replenished the product line in the field of trauma business. As of 30 June 2023, the launch of various products of the Company’s trauma product series has been approved, including bone plate, intramedullary nail, external fixation frame, metal bone needle etc., which complemented the orthopedic business product line of the Company.

In the field of sports medical product, the Company was granted seven sports medicine registration certificates for PEEK suture anchors, disposal shavers, interface screws, non-absorbable suture anchors, non-absorbable surgical sutures, suspension device and door-shaped anchor. 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 favorable 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 field of stomatologic product, the Company was granted four orthodontic product registration certificates for orthodontic wire, orthodontic grooves, orthodontic cheek tubes and clear aligners, as well as two maxillofacial surgical registration certificates for the jawbone system and the 3D printing jawbone cross-section guide. This has further diversified the Company's stomatologic product line and expanded its layout in the stomatologic product field. This also marked the Company's official entry to the field of stomatologic product. With the aim of building a comprehensive one-stop stomatologic ecosystem solution, Chunli has planned comprehensive solutions in various stomatologic sub-sectors, namely orthodontics, planting, repair and maxillofacial surgery and become domestic stomatologic brand with the most comprehensive stomatologic product line.

With the development of PRP products, the Company has been approved to market the platelet-rich plasma (PRP) preparation kit and the medical centrifuge, of which the platelet-rich plasma preparation kit is the first fully automatic platelet-rich plasma preparation system in China. Medical centrifuge is active equipment, and the certification and successful launch of this product signified that the Company's layout in the active equipment field has gradually begun.

In addition, the Company has obtained approval to market products such as electric pulse washer and knee joint bone cement shaping mould. The continuous expansion of medical device products has enriched the Company's diversified product line and expanded the Company's layout in the medical field.

As of the reporting period, the Company obtained registration certificates from 19 countries, including Ukraine, South Korea, Peru, Syria, Mexico, Argentina, Kazakhstan, Uzbekistan and other countries. Meanwhile, the three product series of the Company of hip, knee and spine successfully passed the CE annual system audit and supervision audit. The CE certificates not only serve as proof of the satisfactory performance of our products and their compliance with product safety requirement, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for our increasing international sales and a manifestation of our strong competitiveness in the international market.

As of 30 June 2023, the Company had obtained 528 domestic intellectual properties, including 93 invention patents, 423 utility model patents, 4 design patents and 8 software copyrights. The abundant patent licenses manifest the Company's innovation ability and core competitiveness. In the 23rd China Patent Award announced by China National Intellectual Property Administration, the "New Axis Knee Joint Prosthesis" of the Company has been awarded the Outstanding Award of the China Patent Award. China Patent Award is the highest national accolade in the field of intellectual property, and getting the award demonstrates the level of patent technology and innovation of the Company. It is also a recognition of the Company's patent market transformative value, patent protection and patent management.

Advanced ceramic joint prosthesis products

In April 2015, the Company became the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of BIOLOX[®]*delta* ceramic joint prosthesis products, covering both half-ceramics and full ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. BIOLOX[®]*delta*, being the latest ceramic product of CeramTec, which is a German company, has the clinical advantages of lower abrasion rate and better strength and durability, and can be widely used in hip joint replacement surgeries. In May 2020, 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 30 June 2023, various products of the Company obtained the Beijing New Product and New Technology Certificates (北京市新產品新技術證書) including:

- 160 Femur Stem (certificate number: XCP2020SY0402)
- Cobalt-Chromium-Molybdenum hip prosthesis (certificate number: XCP2021SY0388)
- Ceramic hip joint prostheses for revision purpose (certificate number: XCP2021SY0385)
- Unicompartmental knee prosthesis (certificate number: XCP2021SY0384)
- Shoulder joint prosthesis (certificate number: XCP2020SY0404)
- Elbow joint prosthesis (certificate number: XCP2021SY0386)
- Spinal spacer (certificate number: XCP2020SY0403)
- CF posterior spinal fixation device (certificate number: XCP2021SY0382)
- Non-absorbable suture anchors (certificate number: XCP2021SY0383)
- Metal cable fixation system (certificate number: XCP2021SY0387)

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

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

FINANCIAL REVIEW

Revenue

Our revenue was approximately RMB540.71 million for the six months ended 30 June 2023, a decrease of 5.37% as compared to approximately RMB571.39 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the sales of the products of the Company being affected by the “volume-based procurement”.

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

Product category	Six months ended 30 June		Growth over corresponding period
	2023 (RMB'000)	2022 (RMB'000)	
Medical device products	540,242	569,857	-5.20%
Other businesses	465	1,535	-69.68%
Total	540,707	571,392	-5.37%

Gross profit

For the six months ended 30 June 2023, the Company's gross profit amounted to approximately RMB391.41 million, a decrease of 8.08% from approximately RMB425.80 million for the same period of last year, which was mainly attributable to the depressed terminal selling price of related products resulted from the Company being affected by the “volume-based procurement”.

For the six months ended 30 June 2023, the Company's gross profit margin was 72.39%, a decrease of 2.13% as compared to 74.52% from the same period of last year, which was mainly attributable to 1) the increase in prices of certain raw materials, which led to an increase in unit cost; and 2) the depressed terminal selling price of related products resulted from the Company being affected by the “volume-based procurement”.

Selling expenses

For the six months ended 30 June 2023, the Company's selling expenses was approximately RMB166.89 million, an increase of 7.66% from approximately RMB155.01 million for the same period of last year, which was mainly attributable to the gradual resumption of market activities as a result of the end of the COVID-19 pandemic.

Administrative expenses

For the six months ended 30 June 2023, the Company's administrative expenses was approximately RMB18.96 million, an increase of 22.64% from approximately RMB15.46 million for the same period of last year, which was mainly attributable to the increase in the depreciation of fixed assets.

Research and development expenses

For the six months ended 30 June 2023, the Company's research and development expenses was approximately RMB74.57 million, an increase of 3.15% from approximately RMB72.29 million for the same period of last year. The Company's research and development expenses in the first half of 2023 accounted for 13.79% of the revenue. The main reason for the significant increase in research and development expenses was that the Company valued the research and development of new products, technology, and technique and has continuously increased its investment in research and development and etc.

Impairment loss of credits

For the six months ended 30 June 2023, the Company's impairment loss of credits was approximately RMB8.79 million, a decrease of 38.57% from approximately RMB14.31 million for the same period of last year, which was mainly attributable to the smaller increase in accounts receivable on a year-on-year basis.

Income tax expenses

For the six months ended 30 June 2023, the Company's income tax expenses was approximately RMB12.55 million, a decrease of 18.56% from approximately RMB15.41 million for the same period of last year, which was mainly attributable to the decrease in the profit of the Company.

Net profit

For the six months ended 30 June 2023, the Company achieved a net profit of RMB125.99 million, a decrease of 19.74% from approximately RMB156.98 million for the same period of last year, which was mainly attributable to the depressed selling price of related products resulted from the sales of the products of the Company being affected by the "volume-based procurement".

Liquidity and capital resources

The Company's liquidity decreased from approximately RMB957.19 million as of 31 December 2022 to approximately RMB855.12 million as of 30 June 2023.

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

Use of proceeds from the global offering

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

Use of Proceeds from Issue of H Shares	Proportion	Amount available <i>(RMB million)</i>	Expense	Outstanding	Expected timeline for the application of the unutilized proceeds
			as of 30 June 2023 <i>(RMB million)</i>	amount as of 30 June 2023 <i>(RMB million)</i>	
First-installment expense for the development of Daxing New Production Base	57.53%	106.93	100.89	6.04	By 31 December 2023
Research and development activities	12.67%	23.55	23.55	0.00	
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	179.82	6.04	

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

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

Issue of A Shares

Use of Proceeds

Unit: RMB

Project Name	Proportion	Amount available (RMB'000)	Net (expenses)/ interest income as of 30 June 2023 (RMB'000)	Outstanding amount as of 30 June 2023 (RMB'000)	The date on which the project is ready for its intended useable condition
Integrated construction project of orthopedic implant and ancillary materials	43.11%	460,000.00	(445,975.22)	14,024.78	August 2024
Construction project of research and development centre	33.74%	360,000.00	(329,097.89)	30,902.11	August 2024
Marketing network construction project	7.50%	80,000.00	(58,952.64)	21,047.36	December 2024
Replenishment of working capital	15.66%	167,128.29	(167,009.47)	118.82	N/A
Sub-total	100%	1,067,128.29	(1,001,035.21)	66,093.08	

Inventory

The Company's inventory increased from approximately RMB259.79 million as of 31 December 2022 to approximately RMB387.39 million as of 30 June 2023, which was mainly attributable to the reserve of inventory according to market needs.

Fixed assets and construction in progress

The Company's fixed assets and construction in progress increased by 1.82%, from approximately RMB463.40 million as of 31 December 2022 to approximately RMB471.84 million as of 30 June 2023, which was mainly attributable to the increase in our investment in construction works.

Net current assets

The Company's net current assets increased from approximately RMB2,183.28 million as of 31 December 2022 to approximately RMB2,171.08 million as of 30 June 2023, which was mainly attributable to the increase in current liabilities.

Working capital and financial resources

Cash flow analysis

As at 30 June 2023, net cash outflow generated from operating activities was approximately RMB38.97 million, which was mainly attributable to the increase in the cash received by the Company from the sales of the products. Our net cash outflow generated from investment activities was approximately RMB63.93 million, which was mainly because the Company's purchase of wealth management products has not been due. Our net cash outflow generated from financing activities was approximately RMB0.13 million, which was mainly because the Company paid the related cash dividends in the first half of 2022 while distributed the same in the second half of 2023, and our cash and cash equivalents decreased by approximately RMB102.37 million as compared to the end of last year.

Capital expenditure

The Company's capital expenditure was mainly used in the expansion of new production base and the acquisition of production facilities.

Contingent liabilities or guarantees

As of 30 June 2023, the Company did not have any significant contingent liabilities or guarantees.

OTHER DISCLOSURES

Other Information

Reference is made to the annual report (the “**2022 Annual Report**”) of the Company for the year ended 31 December 2022 published on 27 April 2023 and the announcement (the “**Announcement**”) of the Company dated 9 August 2023. Pursuant to paragraph 32(4A) of Appendix 16 to the Listing Rules, the Company would like to provide further information in respect of its significant investments with a value of 5% or more of the Group’s total assets as at 31 December 2022 and its financial assets at fair value through profit or loss, which consisted of the Group’s subscription of certain structured deposit products offered by Bank of Beijing and China Construction Bank (the “**Structured Deposit Products**”).

Further to the announcements of the Company dated 26 January 2022, 28 April 2022, 9 June 2022, 29 June 2022, 2 September 2022 and 13 October 2022, the Company subscribed for certain Structured Deposit Products for the year ended 31 December 2022. Details of the Structured Deposit Products are set out below:

All redeemed as of 31 December 2022:

Trustee	Type of entrusted wealth Trustee 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 ^(Note 1) - 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 ^(Note 2) 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

Not redeemed as of 31 December 2022:

Trustee	Name of product	Type of entrusted wealth management	Amount of entrusted wealth management (RMB'000)	Fair value as at 31 December 2022 (RMB'000)	Size of fair value relative to the Group's total assets	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	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	7,000.00	7,029.77	2.06%	7 September 2022	6 January 2023	Idle capital	Banking	1.35% or 3.15%	73.1	Undue, not redeemed at the end of the reporting period
Bank of Beijing - Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	30,000.00	30,127.60	8.84%	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 Sub-branch	CCBC Entry-targeted RMB Customised Structured Deposit	Structured deposits	24,000.00	24,073.97	7.06%	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	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	15,500.00	15,541.41	4.56%	17 October 2022	16 January 2023	Idle capital	Banking	1.30% or 3.12%	50.23	Undue, not redeemed at the end of the reporting period
			<u>76,500.00</u>	<u>76,772.75</u>	<u>22.52%</u>							

Note 1: Bank of Beijing is a licensed bank in the PRC and a joint stock company established under the laws of the PRC, which provides corporate and personal banking business, treasury business, finance leasing, asset management and other financial services in the PRC. Its shares are listed on the Shanghai Stock Exchange (stock code: 601169). Bank of Beijing (Fangzhuang Branch) and Bank of Beijing (Daxing Branch) are branches of Bank of Beijing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Bank of Beijing and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Note 2: China Construction Bank is a joint stock commercial bank in the PRC which provides services such as accepting deposits, making loans and offering basic investment products. Headquartered in Beijing, it was listed on the Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). China Construction Bank (Daxing branch) is a branch of China Construction Bank. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Construction Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The above supplementary information does not affect other information contained in the 2022 Annual Report and the Announcement. Save as disclosed above, the contents of the 2022 Annual Report and the Announcement remains unchanged.

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

Looking forward, various favourable factors such as aging population, continuous increase in per capita income and enlarging scope of the medical insurance coverage will continue to sustain the rapid development of healthcare market in the PRC, especially the orthopedic medical device industry. The Company believes that the demand of our products will continue to increase along with the growth of the PRC joint prosthesis market. In the long run, the Company 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 our product series

The Company will continue to optimize and modify our existing products, and keep abreast of the technology development of the joint prosthesis sector and invest more resources in the research and development of new products. The Company will strengthen production, operation and internal management, enhance its product innovation capacity and reinforce marketing promotion. The Company will develop new markets on the basis of consolidating existing markets consistently and strive to improve the market share of the related products. The Company will develop more products catering for patients' needs through the application of new materials and the improvement of production processes, in order to build a more comprehensive product series and to achieve product diversification. The Company has continued to lead the high-value orthopedic implant products in China and carried out innovative research and development of joints as main business to provide a more various and tailor-made product series for the Chinese people and to stay ahead in the domestic joint implants market. In addition, the Company has expanded and perfected the product line in the field of orthopedic, for instance, the orthopedic robots, spine, trauma and sports medical products, and boosted the strategic layout in dentistry, and PRP products. Furthermore, the Company has also closely focused on the development of related new technologies, such as new bio-materials and drug-device combinations and other products. As maintaining its leading position in the domestic market, the Company has also improved its international business team building and increased investment in marketing promotion with a view to developing the international market.

The development of domestic orthopedic medical devices is moving towards customization, minimally invasiveness and intelligence approaches. With the development of China's national economy, there will be more demand domestically for customized products. The customized joint prosthesis products of the Company primarily include two categories: traditional customized joint prosthesis products and assembled customized joint prosthesis products. Traditional customized joint prosthesis products are designed and manufactured in accordance with the skeletal structure data of specific patients based on the needs of the patients. Assembled customized joint prosthesis products are designed and manufactured based on the statistical analysis of numbers of patients' clinical data and clinically assembled from off-the-shelf components of various specifications and sizes. Compared to traditional customized joint prosthesis products, customized joint prosthesis can be manufactured and assembled in a shorter period of time to meet the needs of different patients, thus minimizing the delays in medical procedures.

The Company possesses a full range of customized joint technologies, including 3D printed osteotomy guide boards for the hip, knee, spine, small joints of the extremities and maxillofacial positions, which are intended to be used for the position, guide and protection during osteotomies at the joint site. The 3D printed osteotomy guide boards can be highly compatible with the anatomical shape of the patients' bone tissue with its customized design and additive manufacturing and position and guide accurately during osteotomies, which can greatly reduce the time of osteotomy in joint surgery, minimize surgical errors and boost the surgery success rate and patient satisfaction to a significant extent. The Company believes that advanced, customized and individualized joint prosthesis products can generate higher profit margins. In recent years, the relevant regulations issued by the NMPA are also more conducive to the development of customized prostheses. The Company will take this opportunity to promote the rapid development of patents for customized and individualized products.

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, orthopedic robots, spinal products, trauma, sports medical products, PRP products and dental products. The Company plans to establish a product research and development center at Daxing New Production Base, which is expected to consist of standard joint prostheses products department, spinal products department, orthopedic trauma products department, biomechanics center and orthopedic devices standardization research and development center and so forth. In addition, under the support of the academician and expert workstation, post-doctoral scientific research workstation and Beijing Municipal Enterprise Technology Centre, the Company will focus on cultivating the research and development standards and innovation capabilities of research and development personnel, while continuously optimizing the allocation of research and development resources and iterating on corporate innovation mechanism. The Company can also make good use 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 its professional knowledge, technology and competitiveness.

Talent development and incentives

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

EMPLOYEE

As at 30 June 2023, the Company had approximately a total of 1,379 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As of 30 June 2023, the total salaries and related costs paid to our employees were approximately RMB135.89 million. The Company enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH MODEL CODE

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. Having made specific enquiry with the Directors and Supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

WUYIGE Certified Public Accountants LLP has reviewed these financial statements.

The Audit Committee of the Board has reviewed our Company's consolidated financial statements for the six months ended 30 June 2023, including the accounting principles and practices applied.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

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

The Company's 2023 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the Company's website and the HKExnews website of the Stock Exchange in due course.

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

Beijing, the PRC, 30 August 2023

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