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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 2023**

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 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 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 2023 RMB	As at 31 December 2022 RMB
Current Assets:			
Monetary funds		1,266,367,522.67	957,193,661.02
Held-for-trading financial assets		832,019,095.90	767,727,534.25
Derivative financial assets		–	–
Notes receivable		35,825,458.71	278,639,012.00
Accounts receivable	2	405,895,527.39	488,746,494.02
Accounts receivable financing		–	–
Prepayment		10,802,201.19	12,699,528.18
Other receivables		348,800.03	675,810.93
Including: Interests receivable		–	–
Dividends receivable		–	–
Inventories		434,485,725.70	259,789,488.85
Contract assets		–	–
Assets held-for-sale		–	–
Non-current assets due within one year		–	–
Other current assets		19,615,485.87	13,617,453.61
Total current assets		3,005,359,817.46	2,779,088,982.86
Non-current assets:			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Other investments in equity instruments		–	–
Other non-current financial assets		–	–
Investment property		–	–
Fixed assets		312,930,579.87	278,294,518.06
Construction in progress		150,138,063.04	185,101,678.99
Productive biological assets		–	–
Oil & gas assets		–	–
Right-of-use assets		2,065,991.49	1,875,408.53
Intangible assets		136,270,839.38	138,167,738.59
Development expenditures		–	–
Goodwill		13,359,553.09	–
Long-term prepayments		–	–
Deferred income tax assets		27,631,861.33	25,761,809.04
Other non-current assets		1,804,219.22	1,476,554.84
Total non-current assets		644,201,107.42	630,677,708.05
Total assets		3,649,560,924.88	3,409,766,690.91

Item	<i>Notes</i>	As at 31 December 2023 RMB	As at 31 December 2022 RMB
Current liabilities:			
Short-term borrowings		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	3	225,500,169.91	237,786,563.39
Advances received		–	–
Contract liabilities		149,563,275.39	85,681,592.64
Employee remuneration payable		89,719,385.48	69,723,670.57
Taxes payable		61,519,271.32	53,550,224.66
Other payables		66,314,036.00	72,509,089.96
Non-current liabilities due within one year		1,221,386.17	688,285.72
Other current liabilities		82,835,311.24	75,865,112.99
Total current liabilities		<u>676,672,835.51</u>	<u>595,804,539.93</u>
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		531,543.62	625,860.19
Long-term payables		–	–
Long-term employee remuneration payable		–	–
Estimated liabilities		–	–
Deferred gains		83,790,835.82	85,757,219.55
Deferred income tax liabilities		9,330,276.98	7,879,291.52
Other non-current liabilities		–	–
Total non-current liabilities		<u>93,652,656.42</u>	<u>94,262,371.26</u>
Total liabilities		<u>770,325,491.93</u>	<u>690,066,911.19</u>

Item	<i>Notes</i>	As at 31 December 2023 RMB	As at 31 December 2022 RMB
Shareholders' equity:	<i>3</i>		
Share capital		383,568,500.00	384,280,000.00
Other equity instruments			
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve	<i>4</i>	1,044,799,419.83	1,051,228,272.24
Less: treasury shares		–	7,140,352.41
Other comprehensive income		–	–
Specific reserve		–	–
Surplus reserve	<i>6</i>	181,585,925.26	154,599,501.79
Undistributed profits	<i>7</i>	<u>1,267,513,008.25</u>	<u>1,136,732,358.10</u>
 Total interests attributable to shareholders of the Parent Company		<u>2,877,466,853.34</u>	2,719,699,779.72
Minority interests		<u>1,768,579.61</u>	–
 Total shareholders' equity		<u>2,879,235,432.95</u>	<u>2,719,699,779.72</u>
 Total liabilities and/or shareholders' equity		<u>3,649,560,924.88</u>	<u>3,409,766,690.91</u>
 Net current assets		<u>2,328,686,981.95</u>	<u>2,183,284,442.93</u>
 Total assets less current liabilities		<u>2,972,888,089.37</u>	<u>2,813,962,150.98</u>

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item	Notes	Year ended 31 December	
		2023 RMB	2022 RMB
I. Revenue	8	1,208,523,845.88	1,201,604,254.24
Less: Operational costs	8	332,635,741.48	288,077,700.15
Taxes and surcharge		10,850,629.27	13,329,225.47
Selling expenses		383,140,145.99	391,469,329.37
Administrative expenses		44,471,023.10	38,838,523.14
Research and development expenses		157,445,504.26	162,340,798.73
Financial expenses		(16,582,007.56)	(20,174,984.64)
Including: Interest expenses		85,896.45	46,725.26
Interest proceeds		14,461,912.36	16,856,281.66
Add: Other gains		12,807,845.26	15,188,713.80
		<hr/>	<hr/>
Investment income (losses will be shown with “-” sign)		12,012,452.06	6,748,241.12
Including: Investment income from associates and joint ventures		-	-
Gains from derecognition of financial assets measured at amortised cost		-	-
Gains (losses will be shown with “-” sign) on net exposure hedges		-	-
Gains (losses will be shown with “-” sign) from changes of fair value		9,610,896.66	9,490,657.53
Impairment loss of credit		(4,315,237.96)	(16,817,536.36)
Impairment loss of assets		(20,707,206.43)	(13,450,279.09)
Gains (losses will be shown with “-” sign) on disposal of assets		3,904.60	25,305.66
		<hr/>	<hr/>
II. Operational profit (losses will be shown with “-” sign)		305,975,463.53	328,908,764.68
Add: Non-operating income		346,862.92	10,279,815.40
Less: Non-operating expenses		416,463.41	2,308,813.65
		<hr/>	<hr/>

Item	Notes	Year ended 31 December	
		2023	2022
		RMB	RMB
III. Total profit (losses will be shown with “-” sign)		305,905,863.04	336,879,766.43
Less: Income tax expenses	9	28,087,746.56	29,160,620.78
IV. Net profit (losses will be shown with “-” sign)		277,818,116.48	307,719,145.65
(I) Categorized by continuity of operations:			
1. Net profit attributable to continuing operations (losses will be shown with “-” sign)		277,818,116.48	307,719,145.65
2. Net profit attributable to ceased operations (losses will be shown with “-” sign)		<u> -</u>	<u> -</u>
(II) Categorized by ownership:			
1. Net profit attributable to shareholders’ of the Parent Company (losses will be shown with “-” sign)		277,824,014.12	307,719,145.65
2. Minority profit or loss (losses will be shown with “-” sign)		(5,897.64)	<u> -</u>
V. Net other comprehensive income after tax			
(I) Net other comprehensive income after tax attributable to shareholders of the Parent Company		<u> -</u>	<u> -</u>
(II) Net other comprehensive income after tax attributable to minority shareholders		<u> -</u>	<u> -</u>
VI. Total comprehensive income		277,818,116.48	307,719,145.65
(I) Total comprehensive income attributable to shareholders of the Parent Company		277,824,014.12	307,719,145.65
(II) Total comprehensive income attributable to the minority shareholders		(5,897.64)	<u> -</u>
VII. Earnings per share			
(I) Basic earnings per share		0.72	0.80
(II) Diluted earnings per share		0.72	0.80

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 H shares of the Company have been listed and traded on the Hong Kong Stock Exchange since 11 March 2015 under the stock short name “Chunli Medical” and stock code 01858.HK; and the A shares of the Company have been listed and traded on the Science and Technology Innovation Board of the Shanghai Stock Exchange since 30 December 2021 under the stock short name “Chunli Medical” and stock code 688236.SH.

The Company operates in the medical device industry, and is mainly engaged in the research and development, production and sales of medical device products for joints, spine and sports medicine.

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 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”, 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 2023, 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 2023 and for the year ended 31 December 2023.

On 30 November 2022, the MOF issued the “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (Cai Kuai [2022] No. 31, hereinafter referred to as “**Interpretation No. 16**”), and the Company has implemented the requirements of “accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction for which initial recognition exemption does not apply” from 1 January 2023.

2 ACCOUNTS RECEIVABLE

Categories of trade receivables:

Item		Individually significant and for which provision is individually assessed	Determining provision for bad debts by group basis	By credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As of 31 December 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 of 31 December 2023							
Carrying amount	Amount (RMB)	–	458,688,054.81	458,688,054.81	458,688,054.81	–	458,688,054.81
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	52,792,527.42	52,792,527.42	52,792,527.42	–	52,792,527.42
	Percentage (%)	–	11.51	11.51	11.51	–	11.51
Net amount		–	405,895,527.39	405,895,527.39	405,895,527.39	–	405,895,527.39

Credit risk characteristics group:

Aging	As at 31 December 2023			As at 31 December 2022		
	Carrying amount	Percentage	Provision	Carrying amount	Percentage	Provision
	RMB	%	RMB	RMB	%	RMB
Within one year	356,332,383.30	77.69	17,816,619.16	446,765,286.47	82.63	22,338,264.32
1 to 2 years	67,750,933.51	14.77	10,162,640.04	71,233,409.68	13.17	10,685,011.45
2 to 3 years	19,582,939.58	4.27	9,791,469.80	7,542,147.29	1.39	3,771,073.65
More than 3 years	15,021,798.42	3.27	15,021,798.42	15,154,750.33	2.80	15,154,750.33
Total	458,688,054.81	100.00	52,792,527.42	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 31 December 2023 RMB	As at 31 December 2022 RMB
Purchasing of materials	176,014,488.16	166,360,323.15
Purchasing of machinery and equipment	49,485,681.75	71,426,240.24
Total	<u>225,500,169.91</u>	<u>237,786,563.39</u>

Aging analysis of accounts payable is as follows:

Item	As at 31 December 2023 RMB	As at 31 December 2022 RMB
Within 1 year (inclusive)	166,857,084.41	233,129,239.02
More than 1 year	58,643,085.50	4,657,324.37
Total	<u>225,500,169.91</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

	As at 31 December 2023		As at 31 December 2022	
	<i>Number of shares</i>	<i>RMB</i>	<i>Number of shares</i>	<i>RMB</i>
Ordinary shares of overseas listed foreign shares (H shares) of RMB1.00 each	95,852,000	95,852,000.00	95,852,000	95,852,000.00
Cancellation of Overseas listed foreign shares (H shares)	(711,500)	(711,500.00)	–	–
A Shares	<u>288,428,000</u>	<u>288,428,000.00</u>	<u>288,428,000</u>	<u>288,428,000.00</u>
	<u>383,568,500</u>	<u>383,568,500.00</u>	<u>384,280,000</u>	<u>384,280,000.00</u>

For the year ended 31 December 2023, the Company cancelled an aggregate of 711,500 H shares which were repurchased in 2022.

5 CAPITAL RESERVE

Item	As at 31 December 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 31 December 2023 RMB	As at 31 December 2022 RMB
Statutory surplus reserve	<u>181,585,925.26</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 as per the statutory financial statements of the relevant PRC companies. The statutory surplus reserve can be used to make up prior year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

7 RETAINED EARNINGS

Item	As at 31 December 2023 RMB	As at 31 December 2022 RMB
Unallocated profits at the end of last period before adjustment	<u>1,136,732,358.10</u>	<u>908,847,424.37</u>
Total amount of adjustment for unallocated profits at the beginning of the period (“+” for plus; “-“for less)		
Unallocated profits at the beginning of the period after adjustment	1,136,732,358.10	908,847,424.37
Add: Net profit attributable to the owners of the Parent Company for the period	277,824,014.12	307,719,145.65
Less: Withdrawal of statutory surplus reserves	26,986,423.47	29,877,811.92
Dividend payable on ordinary shares	<u>120,056,940.50</u>	<u>49,956,400.00</u>
Unallocated profits at the end of period	<u>1,267,513,008.25</u>	<u>1,136,732,358.10</u>

8 REVENUE AND COST OF SALES

Item	As at 31 December 2023 RMB	As at 31 December 2022 RMB
Revenue from principal operation	1,207,484,429.04	1,199,022,478.53
Revenue from other operations	<u>1,039,416.84</u>	<u>2,581,775.71</u>
Cost of sales	<u>332,635,741.48</u>	<u>287,603,281.72</u>

Revenue and cost of sales (classified by products)

Item	Year ended 31 December	
	2023 RMB	2022 RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	<u>1,207,484,429.04</u>	<u>1,199,022,478.53</u>
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	<u>332,009,074.69</u>	<u>287,603,281.72</u>

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	
	2023 RMB	2022 RMB
The PRC	1,009,325,738.39	1,089,981,272.69
Other than the PRC	198,158,690.65	109,041,205.84
Total	<u>1,207,484,429.04</u>	<u>1,199,022,478.53</u>

9 INCOME TAX EXPENSES

Item	Year ended 31 December	
	2023 RMB	2022 RMB
Current income tax calculated in accordance with relevant tax laws and regulations	28,626,813.39	29,563,410.83
Deferred income tax	(539,066.83)	(402,790.05)
Total	<u>28,087,746.56</u>	<u>29,160,620.78</u>

Information of corporate income tax rates for different taxable entities as of 31 December 2023:

Name of Taxable Entity	Income Tax Rate
The Company	15%
Beijing Zhao Yi Te Medical Devices Co., Ltd.* (北京兆億特醫療器械有限公司)	5%
Hebei Chunli Hangnuo New Materials Technology Co., Ltd.* (河北春立航諾新材料科技有限公司)	15%
Beijing Shiyue Changsheng Medical Devices Co., Ltd.* (北京實躍長盛醫療器械有限公司)	5%
Xingtai Langtai Benyuan Medical Devices Co., Ltd.* (邢台市琅泰本元醫療器械有限公司)	5%
Langtai Meikang Medical Devices Co., Ltd.* (琅泰美康醫療器械有限公司)	5%
Beijing Lechi Inspection Technology Co., Ltd.* (北京樂馳檢測技術有限公司)	5%
SurgiMaster Technology (Suzhou) Co., Ltd.* (舒捷醫療科技(蘇州)有限公司)	5%

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

Item	Year ended 31 December	
	2023 RMB	2022 RMB
Profit before tax	305,905,863.04	336,879,766.43
Income tax expenses based on statutory/applicable tax rate	45,885,879.46	50,531,964.96
Effect of different tax rate applicable to subsidiaries	515,374.37	(45,175.73)
Effect of prior income tax reconciliation	1,532,020.78	(1,647,579.77)
Effect of non-deductible costs, expenses and losses	956,669.96	420,096.25
Effect of using deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	–	(560.87)
Effects of additional deduction of research and development costs and others	(21,290,372.55)	(20,684,735.46)
Effect of deductible temporary differences or deductible losses not recognised in the current period	542,679.66	586,611.40
Effect of deferred income	–	–
Additional deduction for payroll expenses of disabled employees	(54,505.12)	–
Income tax expenses	28,087,746.56	29,160,620.78

10 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Parent Company and the weighted average number of ordinary shares of 383,568,500 (2022: 383,568,500) in issue.

During the year ended 31 December 2023, the Group has no potential dilutive ordinary shares in issue.

	2023 (RMB)	2022 (RMB)
Earnings		
Profit attributable to ordinary equity holders of the Parent Company, used in the basic and diluted earnings per share calculations	277,824,014.12	307,719,145.65
Number of shares		
	2023	2022
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	383,568,500	383,568,500

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

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

On 31 March 2022, the “Opinion on the Centralized Volume-based Procurement for High-Value Medical Consumables (Artificial Joint) Organized by the State and the Usage of Supporting Facilities” (《關於國家組織高值醫用耗材(人工關節)集中帶量採購和使用配套措施的意見》) was issued jointly by the National Healthcare Security Administration and the National Health Commission. 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. In the field of sports medicine, in November 2023, the State organized the centralized volume-based procurement for high-value medical consumables, and all of the Company’s sports medicine products won the bid. By dedicating resources to research and development, new technologies and new techniques, the Company has consistently increased its investment in the appraisal of research and development projects. For instance, the Company has allocated appropriate resources to research and develop new materials such as porous tantalum, magnesium alloy, and PEEK. Additionally, there has been a heightened focus on the development of products related to emerging fields such as joint surgical robots, sports medicine, PRP, and stomatology. These strategic initiatives have been undertaken to proactively address government procurement requirements and to enhance and expand the Company’s product portfolio.

In addition to its focused efforts in the orthopedic high-value consumables sector, the Company has also intensified its expansion into other related orthopedic fields. While maintaining its leading position in the national market share for joint-related product lines, the Company is committed to further increasing its market share in the spine, trauma, and sports medicine product lines. This strategic approach aims to sustain long-term and stable growth within the orthopedic industry.

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

Comprehensive medical device registration certificates

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

In the field of artificial joints prosthesis, the Company obtained the registration certificate for trabecula acetabular implant, 3D-printed “hip joints” registration certificate and 3D-printed and revised acetabular cup, which marked the breakthrough of the Company in the field of 3D printing of artificial prosthesis. In addition, the Company’s Vitamin E high cross-linked polyethylene hip and knee products of the Company have been approved for marketing by the National Medical Products Administration, 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 high-quality domestic knee joint prosthesis in terms of abrasion resistance. The launch of these new products will 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 and further enhanced the Company’s market competitiveness in the spinal orthopedic industry.

In the field of trauma, the Company has actively developed the product line in the field of trauma business. As of 31 December 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 further complemented the orthopedic business product line of the Company.

In the field of sports medical products, the Company was also granted various sports medical product registration certificates for PEEK suture anchors, shavers, interface screws, looped titanium plates and door-shaped anchor. This has further diversified the Company’s sports medical product line. A complete sports medical product line will be favourable to our products in clinical selection and application, and will drive a rapid growth in the sales revenue of sports medical products of the Company.

In the field of stomatologic product, the Company was granted orthodontic product registration certificates for orthodontic wire, orthodontic grooves, orthodontic cheek tubes and clear aligners, as well as maxillofacial surgical registration certificates for the jawbone system and the 3D printing jawbone cross-section guide. In addition, the Company was also granted registration certificates for dental restorative products such as dental etching agent, dental hydrofluoric acid etching agent, dental resin for temporary crown and bridge, fluorine-based foams. 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, the Company has planned comprehensive solutions in various stomatologic sub-sectors, namely orthodontics, planting, repair and maxillofacial surgery and become domestic stomatologic brand with one of the most comprehensive stomatologic product lines.

With the development of PRP products, the Company has been approved to market the platelet-rich plasma (PRP) preparation kit, PRP preparation equipment and the medical centrifuge, of which the platelet-rich plasma preparation kit is the first fully automatic platelet-rich plasma preparation system in the PRC. 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 carried out.

In addition, the Company has obtained approval to market products such as electric pulse washer, knee joint bone cement shaping mould, medical imaging software and arthroscopic cannula. 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 31 December 2023, the Company holds a total of 124 registration certificates and filing certificates for medical devices (including joint, spine, sports medicine, dental and PRP products) in the PRC, of which 47 registration certificates are related to Class III medical devices, 27 registration certificates are related to Class II medical devices, and 50 filing certificates are related to Class I medical. 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.

In terms of international registration, in 2023, the Company obtained international product registration certificates in many 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 the related products and their compliance with product safety requirement, but also demonstrate the Company's technical superiority at an international level. Obtaining these certificates is a guarantee for the Company's increasing international sales and a manifestation of its strong competitiveness in the international market.

Obtaining a large number of registration certificates both domestically and internationally in 2023 is the result of the Company's increased investment in research and development in recent years. It marks the beginning of the Company's acceleration in certificate acquisition, and demonstrates that the Company is rapidly developing from a leading artificial joint enterprise in the PRC to an orthopedics enterprise covering segments such as joint, spine, trauma and sports medical products.

Diversified product portfolio

Being one of the earliest domestic enterprises in the PRC to engage in research and development as well as production of joint prosthesis products, the Company has established a broad portfolio comprising various joint prosthesis products, spinal products, trauma products and sports medical products. The Company's joint prosthesis products cover four major joints of human bodies (namely hip, knee, shoulder and elbow) while its spinal products comprise a full-range product portfolio of spinal fixation systems and spinal fusion systems, including series of fixation systems in anterior and posterior cervical, thoracic and lumbar vertebrae, and series of fusion products for cervical, thoracic and lumbar vertebrae. Our trauma products provide comprehensive solutions for the restoration, fixation and stabilisation of all types of fractures, including bone plate, intramedullary nail, external fixation frame, metal bone needle etc. The Company's sports medicine products provide solutions for injuries to major joints such as the hip, knee, shoulder, and elbow, as well as small joints such as the hand, wrist, and foot. These solutions include products such as non-absorbable suture anchors, meniscal repair systems, looped titanium plates, PEEK suture anchors, and PEEK interface screws for developing diversified product combination plans for complex sports injuries in clinical settings. In addition, the Company's joint prosthesis products are also divided into standard joint prosthesis products and custom joint prosthesis products. The standard joint prosthesis products mainly include hip joint prosthesis products and knee joint prosthesis products, while the custom joint prosthesis products are also divided into two categories, namely conventional custom joint prosthesis products and custom (modular) joint prosthesis products. The custom joint prosthesis products are applicable to the four major joints of human bodies, and are specifically designed and produced to cater for clinical needs.

Strong research and development capabilities

The Company is a state-level high and new technology enterprise (國家級高新技術企業) and G20 Engineering Enterprise (which is a progressive development advocated by the municipal government of Beijing aiming at promoting the biomedicine industry in Beijing as the backbone of the capital with its strategic value). Its research and development team consists of professionals who are post-doctoral researchers or possess Doctorate and Master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovative products and the continuous improvement of research and development. The Company has undertaken various government projects for the Ministry of Science and Technology, Beijing Municipal Science and Technology Commission, the National Development and Reform Commission, and Beijing Municipal Commission of Economy and Informatization, etc. As a leading enterprise engaged in the production and operation of artificial joint, custom joint prosthesis and spinal products in the PRC, the Company broke the foreign monopoly and advanced the independent innovation of domestic medical devices.

The Company attaches great importance to the combination of production, academics, research and development and clinical studies while conducting research and development. During the course of research and development of new products and product improvement, the Company obtained advice from experts in relevant fields and worked closely together with experts, thereby ensuring that those products under research and development will meet the market demand and fulfill the requirement of clinical practicality.

The Company was named the “Beijing Engineering Laboratory of Joint Prosthesis” (人工關節北京市工程實驗室) by the Beijing Municipal Development and Reform Commission (北京市發展和改革委員會), received the CNAS Laboratory Accreditation Certificate (Registration No. CNASL14515) issued by the China National Accreditation Service for Conformity Assessment in March 2021, and completed the additions to the CNAS laboratory in March 2022. As of 31 December 2022, the Company obtained a total of 21 testing qualifications. In March 2023, the Company’s laboratory passed the CNAS review evaluation for laboratory and obtained China National Accreditation Service for Conformity Assessment – Laboratory Accreditation Decision and Accreditation Certificate. The Company’s laboratory will take up major research and development projects of the PRC (including Beijing), and will actively participate in science popularization campaigns throughout the PRC (including Beijing). At the same time, the Company will accelerate the research and development of its new products to further enhance the safety and scientificity of new product design.

As of 31 December 2023, the Company has obtained the following honorary qualifications:

- “Research and Development of High-quality Medical Metal Powder Materials and Additive Manufacturing Metal Implants” (高質量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 (醫用增材製造用鉭粉)”, 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 in 2023;
- State Key Laboratories’ open topic of “Study of the Production Technology of Insitu Autogenous Ceramic Oxide Layer on Biomedical Zirconium Alloy Surface and Its Performance” (生物醫用鈷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” (多孔鉭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;
- The Chinese Postdoctoral Science Foundation’s “Study of Ceramic Composite Modification on the Surface of Medical Zirconium Alloy and Its Performance” (醫用鈷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;

- “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;
- 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;
- 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)”;
- “Industrialization of Uni-condylar Knee Joint Prosthesis (單髁膝關節假體產業化)” of the Patent Achievement Industrialization Project of Tongzhou District;
- “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;
- “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;
- “Industrialization of Spinal Products” of the Patent and Technology Achievement Industrialization Project of Tongzhou District;
- “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; and
- “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.

Underpinned by its national-level postdoctoral research workstation, the Company is actively collaborating with renowned universities, research institutes, clinical hospitals, and enterprises in the PRC. This collaborative effort aims to strengthen the overall capability of the research and development team, foster collaborative innovation between industry, academia, research and development, and medical practitioners. By doing so, the Company aims to expedite the research and development of high-end medical device products and facilitate the timely introduction of new products to the market.

As of 31 December 2023, the Company had obtained 577 domestic intellectual properties, including 100 invention patents, 463 utility model patents, 5 design patents and 9 software copyrights. The abundant patent licenses manifest the Company’s innovation ability and core competitiveness. According to the 23rd China Patent Award results announced by the China National Intellectual Property Administration, the “New Axis Knee Joint Prosthesis” of the Company was awarded the Outstanding Award of the China Patent Award. The China Patent Award is the highest national accolade in the field of intellectual property, and getting the award demonstrates the level of patent technology and innovation of the Company. It also recognises the Company’s transformative value in the patent market, as well as its patent protection and patent management.

In 2023, the Company was awarded the National Intellectual Property Advantage Enterprise (國家知識產權優勢企業) by the China National Intellectual Property Administration. This is another important achievement of the Company in the field of intellectual property after obtaining the “Beijing Intellectual Property Demonstration Unit” in 2022. The certificate not only represents the recognition of the National Intellectual Property Office for the Company’s innovation capabilities and intellectual property achievements, but also highly approves of its innovation-driven strategy and the strategic awareness of intellectual property.

Advanced joint prosthesis products

The Company is one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. Since obtaining the medical device registration certificate for the BIOLOX® delta fourth-generation ceramic joint prosthesis product in April 2015, the Company has remained dedicated to delivering exceptional product quality and service. The Company successfully obtained marketing approval for its zirconium-niobium femoral head hip joint prosthesis in November 2023. This product, made with zirconium-niobium alloy, possesses exceptional qualities such as biocompatibility, lightweight construction, superior strength, and resistance to corrosion. We believe that the introduction of this new product will not only boost sales of our advanced joint prosthesis products but also offer patients safer and more dependable options for joint rehabilitation.

New products and new technologies

As of 31 December 2023, sixteen products of the Company obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書) jointly issued by six units including Beijing Municipal Science and Technology Commission (北京市科學技術委員會). Among them, four products, namely PEEK suture anchors, one-off shavers, artificial knee joint prosthesis, trabecula acetabular implant, obtained the Beijing New Product and New Technology (Service) Certificates (北京市新產品新技術(服務)證書) in September 2023. 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. As of 31 December 2023, the Company received the following awards:

National Intellectual Property Advantage Enterprise (國家知識產權優勢企業) in 2023 by China National Intellectual Property Administration;

National Enterprise Technology Centre in 2023 by National Development and Reform Commission of the People’s Republic of China;

25th place on the list of Top 100 Specialised and Sophisticated Enterprise with Unique and Innovative Technologies in Beijing (北京專精特新企業百強榜單), 56th place on the list of Top 100 High-end Precise and Advanced Enterprise in Beijing (北京高精尖企業百強榜單) and 66th place on the list of Top 100 Enterprises in Manufacturing Industry in Beijing (北京製造業企業百強榜單) in 2023;

Zhongguancun Hi-tech Enterprises (中關村高新技術企業) in 2023 by the Management Committee of Zhongguancun Science Park;

National-level Specialized, Refined, Differential and Innovative “Little Giants” Enterprises (國家級《專精特新「小巨人」企業》) in 2022 by the Ministry of Industry and Information Technology of the People’s Republic of China;

Beijing Specialized, Refined, Differential and Innovative “Little Giants” Enterprises (《北京市專精特新「小巨人」企業》) in 2022 by Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局);

Beijing “Specialized, Refined, Differential and Innovative” Small or Medium Enterprises (《北京市「專精特新」中小企業》) in 2022 by Beijing Municipal Bureau of Economy and Information Technology;

The “Typical Application Scenario of Mass Customization” (大批量定制典型應用場景) project of the Company has been included in the national “List of Outstanding Scenario for Smart Manufacturing 2021” (國家級《2021年度智能製造優秀場景名單》); and

Hi-tech Enterprises in 2021 by the Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Bureau and Beijing Municipal Tax Service, State Taxation Administration.

The obtainment of a number of honorary certificates demonstrates the recognition for smart manufacture of the Company by the state, and the recognition for the economic efficiency, level of professionalism, ability in innovation and operation management of the Company.

Extensive distribution and sales network

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

FINANCIAL REVIEW

Revenue

The Company's revenue increased by 0.58% from approximately RMB1,201.60 million for the year ended 2022 to approximately RMB1,208.52 million for the year ended 2023.

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

Product category	Year ended 31 December		Growth over corresponding period
	2023 (RMB'000)	2022 (RMB'000)	
Joint prosthesis products	1,100,559	1,046,391	5.18%
Others	107,965	155,213	-30.44%
Total	<u>1,208,524</u>	<u>1,201,604</u>	<u>0.58%</u>

Gross profit

The Company's gross profit decreased by 4.12% from approximately RMB913.53 million for the year ended 2022 to approximately RMB875.89 million for the year ended 2023. Gross profit margin decreased from 76.03% for the year ended 2022 to 72.48% for the year ended 2023, which was mainly attributable to the implementation of volume-based procurement of high-value consumables in the PRC, which caused the decrease in prices of related products of the Company.

Selling expenses

The Company's selling expenses decreased by 2.13% from approximately RMB391.47 million for the year ended 2022 to approximately RMB383.14 million for the year ended 2023, which was mainly due to the decrease in market development expenses.

Administrative expenses

The Company's administrative expenses increased by 14.50% from approximately RMB38.84 million for the year ended 2022 to approximately RMB44.47 million for the year ended 2023, which was attributable to the increase in the number of staff as well as rental and property expenses.

Research and development expenses

The Company's research and development expenses slightly decreased from approximately RMB162.34 million for the year ended 2022 to approximately RMB157.45 million for the year ended 2023. The Company's research and development expenses in 2023 accounted for 13.03% of the annual revenue (2022: 13.51%). The Company will continue to make investment in research and development expenses while striving to optimize research and development management. These efforts aim to enhance the efficiency and quality of research and development outcomes.

Impairment loss of credit

The Company's impairment loss of credit decreased significantly from approximately RMB16.82 million for the year ended 2022 to approximately RMB4.32 million for the year ended 2023, which was mainly due to the decrease in trade receivables, leading to a corresponding decrease in the provision for impairment of trade receivables in accordance with the policy on bad debt provision for trade receivables.

Impairment loss of assets

The Company's impairment loss of assets increased from approximately RMB13.45 million for the year ended 2022 to approximately RMB20.71 million for the year ended 2023, which was mainly attributable to the increase in the provision for the impairment of inventories according to the Company's policy on inventory impairment.

Income tax expenses

The Company's income tax expenses decreased by 3.67% from approximately RMB29.16 million for the year ended 2022 to approximately RMB28.09 million for the year ended 2023, which was mainly attributable to the decrease in profit of the Company.

Net profit for the year

The Company's net profit decreased from approximately RMB307.72 million for the year ended 2022 to approximately RMB277.82 million for the year ended 2023, which was mainly because that affected by the implementation of volume-based procurement of high-value consumables in the PRC, which caused the decrease in prices of related products of the Company, resulting in a decline in net profit of the Company.

Liquidity and capital resources

The Company's monetary funds increased by 32.30% from approximately RMB957.19 million for the year ended 2022 to approximately RMB1,266.37 million for the year ended 2023, which was mainly attributable to the increase in payments received from customers during the period.

The Company's principal sources of liquidity are generated from its operations. The Board is of the opinion that the Company has sufficient resources to support its management and to meet its foreseeable capital expenditure demands.

Use of proceeds from the global offering

The H shares of the Company were listed on the Main Board on 11 March 2015 with net proceeds received by the Company from the global offering in the amount of approximately RMB185.86 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering have been utilised in full in 2023.

Use of Proceeds	Proportion	Amount available (RMB million)	Expense as of 31 December 2023 (RMB million)	Outstanding amount as of 31 December 2023 (RMB million)
First-installment expense for the development of Daxing New Production Base	57.53%	106.93	106.93	0.00
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	185.86	0.00

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

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

Items	Amount	Proportion available (RMB'000)	Net (expenses)/ interest income as at 31 December 2023 (RMB'000)	Outstanding amount as at 31 December 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	(456,093.69)	3,906.31	August 2024
Research and development centre construction project	39.36%	420,000.00	(419,944.05)	55.95	August 2024
Marketing network construction project	1.87%	20,000.00	1,866.45	21,866.45	December 2024
Replenishment of working capital project	15.66%	167,128.29	(167,059.11)	69.18	Not applicable
Total	100%	1,067,128.29	(1,041,230.40)	25,897.89	

On 30 August 2023, the Company held the second meeting of the fifth session of the Board and the second meeting of the fifth session of the Supervisory Committee, at which the Resolution on the Change of Certain Proceeds-funded Projects (《關於部分募投項目變更的議案》) was considered and approved. The resolution approved the Company to make adjustments to certain Proceeds-funded Projects. The independent Non-executive Directors of the Company expressed their explicit consent, and the sponsor issued verification opinions of explicit consent on this matter.

The change is mainly due to the addition of online marketing training activities and marketing promotion activities for the implementation of the marketing training centre projects in the Marketing Network Construction Project according to the development and changes of the industry environment and the internal business development needs of the Company, and the relaxation of the implementation locations of the marketing training centres to all provinces and prefecture-level cities in the PRC. This is primarily attributed to the Company's widespread distributor network and its provision of services to numerous hospitals across the country. In order to better cater to a broader customer base and enhance flexibility, adjustments were made to the locations of the facilities. As part of this, the "Marketing network construction project" underwent a total project investment revision from RMB80.0 million to RMB20.0 million. Consequently, the sub-project "Construction of marketing and delivery network" was discontinued, resulting in a reduction of RMB60.0 million in investment. These funds were instead allocated to the "Construction of research and development center project".

Notes receivables

The Company's notes receivable decreased significantly from approximately RMB278.64 million in 2022 to approximately RMB35.83 million in 2023, mainly as a result of the following factors: 1) an increase in the receipt of telegraphic transfer paybacks in the current period; and 2) the maturity of a portion of the notes in the current period.

Inventory

The Company's inventory increased from approximately RMB259.79 million for the year ended 2022 to approximately RMB434.49 million for the year ended 2023, which was mainly attributable to the Company's reserve of inventory according to market needs.

Fixed assets and construction in progress

The Company's fixed assets and construction in progress slightly decreased from approximately RMB463.40 million for the year ended 31 December 2022 to approximately RMB463.07 million for the year ended 31 December 2023. The Company did not have significant investment in acquisition of fixed assets and construction in progress.

Net current assets

The Company's net current assets increased by 6.66% from approximately RMB2,183.28 million for the year ended 31 December 2022 to approximately RMB2,328.69 million for the year ended 31 December 2023. The Company's liquidity position has continued to grow steadily and it has sufficient financial resources to meet its current working capital requirements and support future expansion endeavors.

Goodwill

The Company's goodwill increased by approximately RMB13.36 million in 2023, which was mainly resulted from acquisition of a medical technology company in the PRC.

Working capital and financial resources

Cash flow analysis

As at 31 December 2023, the Company's net cash inflow generated from operating activities was approximately RMB511.71 million, which was mainly due to increase in payments received from customers; the Company's net cash outflow generated from investment activities was approximately RMB81.56 million, which was mainly due to subscription of structured deposits; the Company's net cash outflow generated from financing activities was approximately RMB121.33 million, which was mainly due to the payment of dividends during the period; and the Company's cash and cash equivalents increased by approximately RMB308.82 million as compared to the end of last year.

Capital expenditure

As of 31 December 2023, the Company did not have any significant capital expenditure.

Contingent liabilities or guarantees

As of 31 December 2023, the Company did not have any significant contingent liabilities or guarantees.

OTHER DISCLOSURES

Significant investment

Pursuant to paragraph 32(4A) of Appendix D2 to the Listing Rules, the Company would like to provide information in respect of its significant investments with a value of 5% or more of the Group's total assets as at 31 December 2023 and its financial assets at fair value through profit or loss, including the Group's subscription of certain structured deposit products offered by Bank of Beijing and China Construction Bank (the "**Structured Deposit Products**").

All redeemed as of 31 December 2023:

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management (RMB0'000)	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Capital Source	Annualised Yield	Actual Gains or (losses) (RMB0' 000)	Actual recovery
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	7,000.00	7 September 2022	6 January 2023	Internal funds	1.35% or 3.15%	73.10	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	30,000.00	7 September 2022	6 January 2023	Idle capital	1.35% or 3.15%	313.27	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	24,000.00	17 October 2022	16 January 2023	Idle capital	1.50% to 3.08%	181.54	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	3,000.00	17 October 2022	16 January 2023	Internal funds	1.30% or 3.12%	9.72	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	17 October 2022	16 January 2023	Idle capital	1.30% or 3.12%	40.51	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	11,000.00	19 January 2023	22 May 2023	Internal funds	1.30% to 2.96%	109.72	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	11,500.00	19 January 2023	22 May 2023	Idle capital	1.30% or 2.96%	114.71	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	30,800.00	19 January 2023	22 May 2023	Idle capital	1.30% or 2.96%	299.24	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	23,400.00	16 February 2023	16 June 2023	Idle capital	1.30% or 2.96%	227.72	Full Redemption
Bank of Beijing – Daxing Sub-branch	Structured deposits	34,000.00	30 May 2023	11 October 2023	Idle capital	1.30% or 2.84%	354.49	Full Redemption
Bank of Beijing – Fang Zhuang Sub-branch	Structured deposits	12,500.00	30 May 2023	11 October 2023	Internal funds	1.30% to 2.84%	130.33	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	8,000.00	30 May 2023	11 October 2023	Idle capital	1.30% or 2.84%	83.41	Full Redemption
China Merchants Bank – Daxing Sub-branch	Structured deposits	6,000.00	30 May 2023	11 October 2023	Idle capital	1.30% or 2.84%	62.56	Full Redemption
China Construction Bank – Daxing Sub-branch	Structured deposits	21,500.00	21 June 2023	6 November 2023	Idle capital	1.30% or 2.84%	230.86	Full redemption

Unredeemed as of 31 December 2023:

Trustee	Name of product	Type of entrusted wealth management	Amount of entrusted wealth management (RMB0'000)	Fair value as at 31 December 2023 (RMB0'000)	Size of fair value relative to the Group's total assets	Commencement		Capital Source	Annualised Yield	Actual recovery
						date of entrusted wealth management	Expiry date of entrusted wealth management			
China Construction Bank – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits* (歐元/美元固定日觀察區間型結構性存款)	Structured deposits	35,000.00	35,092.25	9.62%	18 October 2023	16 January 2024	Idle capital	1.3% or 2.76%	Undue, not redeemed at the end of the reporting period
China Construction Bank – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	14,000.00	14,036.90	3.85%	18 October 2023	16 January 2024	Idle capital	1.3% or 2.76%	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	12,500.000	12,532.95	3.43%	18 October 2023	16 January 2024	Internal funds	1.3% or 2.76%	Undue, not redeemed at the end of the reporting period
China Construction Bank – Daxing Sub-branch	EUR/USD Fixed-day Observation Interval Structured Deposits	Structured deposits	21,500.00	21,539.82	5.90%	9 November 2023	11 March 2024	Idle capital	1.3% or 2.78%	Undue, not redeemed at the end of the reporting period
Sub-total			<u>83,000.00</u>	<u>83,201.91</u>	<u>22.80%</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 subscription of structured deposit products by the Company is a reasonable and effective use of certain portion of its temporarily idle capitals out of proceeds from the public offering of A Shares and its internal resources, which is conducive to enhancing the Group's overall capital return, in line with the Company's core objective of safeguarding its capital while ensuring liquidity.

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 the PRC 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 meeting clinical demands in a timely manner.

The Company possesses a full range of customized joint technologies, including 3D printed osteotomy guide boards for the hip, knee, shoulder, elbow, 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 reduce the time of osteotomy in joint surgery, minimize surgical errors and boost the surgery success rate and patient satisfaction. 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.

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

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

Expand brand influence

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

Talent development and incentives

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

EMPLOYEE

As at 31 December 2023, the Group had approximately a total of 1,231 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 2023, the total salaries and related costs paid to the Company's employees were approximately RMB233.87 million. The Group enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, exit policies, labour protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, the Company cancelled 711,500 H shares which were repurchased in 2022. Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2023.

2023 FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB3.62 per 10 shares in cash (tax inclusive) for the year ended 31 December 2023 (31 December 2022: the payment of a final dividend of RMB3.13 per 10 shares in cash (tax inclusive)). The dividend declared is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend payable to the shareholders of H Shares will be paid in Hong Kong dollars, while the final dividend payable to the shareholders of A Shares will be paid in Renminbi. The applicable exchange rate shall be the mid-rate of the average exchange rate of the relevant foreign exchange published on the website of the People's Bank of China seven business days prior to the date of approval of the dividend. The final dividend is expected to be paid on or before 31 July 2024 to shareholders whose names appear on the register of members of the Company as at 4 July 2024 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 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 27 June 2024. 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 published on the websites of the Stock Exchange and the Company.

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 24 June 2024 to 27 June 2024 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified to attend and vote at the annual general meeting, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 21 June 2024 (being the business day before the first day of closure of the register of members of H Shares) for registration.

(2) *Entitlement to final dividend*

In order to determine the entitlement to the final dividend, the Company's register of members of H Shares will be closed from 4 July 2024 to 8 July 2024 (both days inclusive) during which period no transfer of H Shares will be effected. In order to be qualified for the final dividend, all the transfer documents of the Company's H Shares together with the relevant share certificates shall be lodged at the H Share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 3 July 2024 (being the business day before the first day of closure of the register of members of H Shares) for registration.

CORPORATE GOVERNANCE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. The Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. The Company has complied with all applicable principles and code provisions of the Corporate Governance Code for the year ended 31 December 2023.

COMPLIANCE WITH MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct for Directors' and Supervisors' securities transactions. The Company has made specific inquiries to Directors and Supervisors, and they all confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee of the Board has reviewed the Company's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices applied.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

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

The Company's 2023 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 Wenling
Chairman

Beijing, the PRC, 28 March 2024

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.

* *For identification purposes only*