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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 2015

The Board (the "**Board**") of Beijing Chunlizhengda Medical Instruments Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiary (collectively, the "**Group**" or "**we**") for the six months ended 30 June 2015. The results are prepared in accordance with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the China Accounting Standards.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	*Notes*	**As at 30 June 2015** *RMB* **(Unaudited)**	As at 31 December 2014 *RMB* (Audited)
Current assets:			
Cash and bank deposits		**222,314,833.74**	63,563,110.13
Notes receivable		**10,660,390.78**	7,684,649.00
Accounts receivable	*2*	**89,965,027.67**	42,893,825.42
Prepayments		**13,015,576.89**	3,669,393.96
Other receivables		**1,343,959.67**	982,276.55
Inventories		**43,336,174.38**	35,472,925.88
Other current assets		**–**	8,234,493.57
Total current assets		**380,635,963.13**	162,500,674.51
Non-current assets:			
Fixed assets		**39,216,787.47**	37,355,999.89
Construction in progress		**8,760,762.36**	3,128,934.07
Intangible assets		**34,874,438.06**	35,284,936.60
Deferred tax assets		**902,647.79**	709,789.61
Other non-current assets		**6,859,960.60**	875,690.60
Total non-current assets		**90,614,596.28**	77,355,350.77
Total assets		**471,250,559.41**	239,856,025.28
Current liabilities:			
Accounts payable	*3*	**18,165,299.88**	14,860,329.15
Receipts in advance		**1,055,354.09**	1,045,968.09
Employee benefits payable		**2,443,605.11**	2,097,740.19
Taxes payable		**10,435,330.78**	4,113,533.57
Dividends payable		**6,086,995.20**	–
Other payables		**3,839,502.26**	4,191,783.01
Total current liabilities		**42,026,087.32**	26,309,354.01
Non-current liabilities:			
Deferred income		**16,904,763.03**	7,626,270.75
Total non-current liabilities		**16,904,763.03**	7,626,270.75
Total liabilities		**58,930,850.35**	33,935,624.76

Item	*Notes*	**As at 30 June 2015** *RMB* **(Unaudited)**	As at 31 December 2014 *RMB* (Audited)
Shareholders' equity:			
Share capital	*4*	**69,170,400.00**	50,000,000.00
Capital reserve	*5*	**230,039,180.01**	63,352,595.15
Surplus reserve	*6*	**13,570,973.75**	13,570,973.75
Retained earnings	*7*	**99,539,155.30**	78,996,831.62
Total shareholders' equity		**412,319,709.06**	205,920,400.52
Total liabilities and shareholders' equity		**471,250,559.41**	239,856,025.28
Net current assets		**338,609,875.81**	136,191,320.50
Total assets less current liabilities		**429,224,472.09**	213,546,671.27

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Six months ended 30 June 2015 RMB (Unaudited)	2014 RMB (Audited)
I.	**Revenue**	*8*	**93,400,647.69**	65,008,048.83
	Less: Cost of sales	*8*	**24,947,461.55**	17,211,577.66
	Business taxes and levies		**1,069,974.46**	579,555.61
	Selling expenses		**20,733,811.84**	10,779,526.39
	Administrative expenses		**17,766,535.08**	13,066,600.47
	Finance expenses		**(3,698,057.51)**	(90,364.81)
	Impairment loss of assets		**1,285,721.18**	1,102,599.12
II.	**Operating profit**		**31,295,201.09**	22,358,554.39
	Add: Non-operating income		**376,575.86**	337,788.00
	Less: Non-operating expenses		**854,912.04**	4,589.50
	Including: Loss on disposals of non-current assets		**55,779.22**	–
III.	**Profit before tax for the period**		**30,816,864.91**	22,691,752.89
	Less: Income tax expenses	*9*	**4,187,546.03**	3,085,163.75
IV.	**Net profit for the period**		**26,629,318.88**	19,606,589.14
	Net profit attributable to the equity holders of the Company		**26,629,318.88**	19,606,589.14
V.	**Earnings per share:**			
	(I) Basic earnings per share	*10*	**0.45**	0.39
	(II) Diluted earnings per share	*10*	**0.45**	0.39
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**26,629,318.88**	19,606,589.14
	Total comprehensive income attributable to the equity holders of the Company		**26,629,318.88**	19,606,589.14

NOTES

1 GENERAL INFORMATION

History and development

Beijing Chunlizhengda Medical Instruments Co., Ltd. (hereinafter referred to as the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") on 12 February 1998.

The Company completed its initial public offering (the "**Listing**") of its overseas-listed foreign shares (the "**H shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 March 2015.

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements have been prepared by the Company in accordance with the accounting policies which conform to the Accounting Standards for Business Enterprises in the PRC ("**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 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 six months ended 30 June 2015, 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 2015 and during the six months ended 30 June 2015.

The Interim Financial Statements have been prepared in accordance with the ASBE No. 32 "Interim Financial Reporting" issued by the MOF, and do not include all the information and disclosures required in the annual financial statements. Therefore, these interim financial statements should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The Company has adopted the accrual basis of accounting and the financial statements have been prepared on a historical cost basis.

2 ACCOUNTS RECEIVABLE

Categories of accounts receivable:

Item		Individually significant and for which provision is individually assessed	Determining provision for bad debts by grouping basis	By aging group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As at 30 June 2015 (unaudited)							
Carrying amount	Amount (RMB)	–	95,647,719.58	95,647,719.58	95,647,719.58	–	95,647,719.58
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	5,682,691.91	5,682,691.91	5,682,691.91	–	5,682,691.91
	Percentage (%)	–	5.94	5.94	5.94	–	5.94
Net amount		–	89,965,027.67	89,965,027.67	89,965,027.67	–	89,965,027.67
As at 31 December 2014 (audited)							
Carrying amount	Amount (RMB)	–	47,301,982.23	47,301,982.23	47,301,982.23	–	47,301,982.23
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	4,408,156.81	4,408,156.81	4,408,156.81	–	4,408,156.81
	Percentage (%)	–	9.32	9.32	9.32	–	9.32
Net amount		–	42,893,825.42	42,893,825.42	42,893,825.42	–	42,893,825.42

Grouping of accounts receivable for which bad debt provision has been assessed using the aging analysis approach (based on the date of billing):

Aging	**As at 30 June 2015 (unaudited)**			As at 31 December 2014 (audited)		
	Carrying amount		**Provision**	Carrying amount		Provision
	Amount	**Percentage**		Amount	Percentage	
	RMB	**%**	***RMB***	*RMB*	%	*RMB*
Within 90 days	**54,469,246.28**	**56.95**	**1,634,077.39**	24,781,988.98	52.38	743,459.67
90 to 180 days	**18,500,031.45**	**19.34**	**555,000.94**	8,545,267.62	18.07	256,358.03
180 to 360 days	**16,368,334.35**	**17.11**	**491,050.03**	6,856,990.41	14.50	205,709.71
1 to 2 years	**2,517,540.49**	**2.63**	**201,403.24**	2,385,252.08	5.04	190,820.17
2 to 3 years	**503,525.20**	**0.53**	**100,705.04**	1,105,475.35	2.34	221,095.07
3 to 4 years	**514,768.50**	**0.54**	**257,384.25**	1,091,689.73	2.31	545,844.87
4 to 5 years	**1,656,011.45**	**1.73**	**1,324,809.16**	1,452,243.86	3.07	1,161,795.09
More than 5 years	**1,118,261.86**	**1.17**	**1,118,261.86**	1,083,074.20	2.29	1,083,074.20
Total	**95,647,719.58**	**100.00**	**5,682,691.91**	47,301,982.23	100.00	4,408,156.81

The Group trades with its customers primarily on credit terms and allows a credit period ranging from 30 to 210 days to its trade customers. The Group allows different credit periods for certain customers if they have long term credit quality history or they are significant customers to the Group, or the Group decides to develop a long term business relationship with such customers.

3 ACCOUNTS PAYABLE

Item	**As at 30 June 2015** *RMB* **(Unaudited)**	As at 31 December 2014 *RMB* (Audited)
Purchasing of materials	**15,088,622.86**	13,242,775.57
Purchasing of machinery and equipment	**3,076,677.02**	1,617,553.58
Total	**18,165,299.88**	14,860,329.15

Aging analysis of accounts payable is as follows:

Item	**As at 30 June 2015** *RMB* **(Unaudited)**	As at 31 December 2014 *RMB* (Audited)
Within 1 year	**17,890,954.39**	14,585,983.66
1 to 2 years	**232,869.29**	232,869.29
2 to 3 years	**–**	–
3 years or above	**41,476.20**	41,476.20
Total	**18,165,299.88**	14,860,329.15

4 SHARE CAPITAL

Name	**As at 30 June 2015** *RMB* **(Unaudited)**	As at 31 December 2014 *RMB* (Audited)
Mr. Shi Chunbao	**24,237,087.00**	24,237,087.00
Ms. Yue Shujun	**18,762,913.00**	18,762,913.00
Mr. Sun Weiqi	**1,733,333.00**	1,733,333.00
Mr. Jin Jie	**1,333,333.00**	1,333,333.00
Mr. Lin Yiming	**1,160,000.00**	1,160,000.00
Ms Wang Haiya	**666,667.00**	666,667.00
Mr. Huang Dong	**666,667.00**	666,667.00
Mr. He Rongmei	**666,667.00**	666,667.00
Mr. Ni Xuezhen	**400,000.00**	400,000.00
Ms Zhang Zhaohui	**266,666.00**	266,666.00
Mr. Chen Xusheng	**106,667.00**	106,667.00
Overseas listed foreign shares	**19,170,400.00**	–
Total	**69,170,400.00**	50,000,000.00

At the end of reporting period, the share capital of the Company is RMB69,170,400.00, representing 50,000,000 domestic shares and 19,170,400 H shares with a nominal value of RMB1.00 each in the Company.

5 CAPITAL RESERVE

Item	Capital premium *RMB*	Other capital reserve *RMB*	Total *RMB*
As at 1 January 2014 and 31 December 2014 (audited)	61,552,595.15	1,800,000.00	63,352,595.15
Issue of 19,170,400 new H shares during the period	166,686,584.86	–	166,686,584.86
As at 30 June 2015 (unaudited)	228,239,180.01	1,800,000.00	230,039,180.01

6 SURPLUS RESERVE

Item	Statutory surplus reserve *RMB*
As at 1 January 2014	9,851,777.79
Transfer from retained earnings	3,719,195.96
As at 31 December 2014 (audited) and 30 June 2015 (unaudited)	13,570,973.75

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 are made out of net profit after taxation of the statutory financial statements of the relevant PRC companies. The statutory reserve fund can be used to make up prior period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

7 RETAINED EARNINGS

Item	**Six months ended 30 June 2015** *RMB* **(Unaudited)**	Six months ended 30 June 2014 *RMB* (Audited)
Closing balance of the preceding period/year	**78,996,831.62**	56,684,830.51
Opening balances of the current period/year	**78,996,831.62**	56,684,830.51
Add: Net profit attributable to equity holders of the Company during the period/year	**26,629,318.88**	19,606,589.14
Less: Transfer to statutory reserve fund	**–**	–
Dividend declared	**(6,086,995.20)**	(11,000,000.00)
Closing balances of the current period/year	**99,539,155.30**	65,291,419.65

Details of the Company's final dividends are as follows:

(a) 2013 final dividend

Pursuant to the resolution of the meeting of the Board of Directors on 3 March 2014 and the resolution of the general meeting of the shareholders for the year ended 31 December 2013 on 16 April 2014, the Company declared and paid the 2013 final dividend to the shareholders of the Company at the rate of RMB0.22 per share (including tax charge), amounting to RMB11,000,000.00.

(b) 2014 final dividend

Pursuant to the resolution of the meeting of the Board of Directors on 30 March 2015 and the resolution of the general meeting of the shareholders for the year ended 31 December 2014 on 16 June 2015, the Company declared the 2014 final dividend to the shareholders of the Company at the rate of RMB0.088 per share (including tax charge), amounting to RMB6,086,995.20.

8 REVENUE AND COST OF SALES

	Six months ended 30 June	
Item	**2015**	2014
	RMB	*RMB*
	(Unaudited)	(Audited)
Revenue from principal operation	**93,395,808.37**	65,008,048.83
Revenue from other operations	**4,839.32**	–
Cost of sales	**24,947,461.55**	17,211,577.66

Revenue and cost of sales (classified by products)

	Six months ended 30 June	
Item	**2015**	2014
	RMB	*RMB*
	(Unaudited)	(Audited)
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**93,395,808.37**	65,008,048.83
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**24,947,461.55**	17,211,577.66

Revenue (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** **2015** *RMB* **(Unaudited)**	2014 *RMB* (Audited)
The PRC		
North	**25,790,487.81**	17,255,211.95
West	**9,862,380.58**	7,657,937.59
Central	**28,539,829.44**	14,564,779.57
East	**12,495,188.12**	9,404,573.12
South	**7,456,991.64**	8,438,877.49
	84,144,877.59	57,321,379.72
Other than the PRC	**9,255,770.10**	7,686,669.11
Total	**93,400,647.69**	65,008,048.83

9 INCOME TAX EXPENSE

Item	**Six months ended 30 June** **2015** *RMB* **(Unaudited)**	2014 *RMB* (Audited)
Current income tax calculated in accordance with relevant tax laws and regulations	**4,380,404.21**	3,250,553.62
Deferred income tax	**(192,858.18)**	(165,389.87)
Total	**4,187,546.03**	3,085,163.75

Applicable tax rate

Item	**Six months ended 30 June** **2015**	2014
Standard tax rates:		
The Company	**25%**	25%
Zhao Yi Te	**25%**	25%
Applicable tax rates:		
The Company	**15%**	15%
Zhao Yi Te	**25%**	25%

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

Item	Six months ended 30 June **2015** ***RMB*** **(Unaudited)**	 2014 *RMB* (Audited)
Profit before tax	**30,816,864.91**	22,691,752.89
Applicable standard tax rates	**15% & 25%**	15% & 25%
Current income tax expenses calculated at standard tax rates	**4,633,563.56**	3,408,156.76
Tax effect on non-deductible expenses	**35,245.17**	185,955.64
Others, such as tax effects on deductible research and development costs	**(481,262.70)**	(508,948.65)
Income tax expenses	**4,187,546.03**	3,085,163.75

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

Calculation result

Item	Six months ended 30 June **2015** ***RMB*** **(Unaudited)**	 2014 *RMB* (Audited)
Earnings per share		
Net profit attributable to equity holders of the Company	**0.45**	0.39
Diluted earnings per share		
Net profit attributable to equity holders of the Company	**0.45**	0.39

Calculation process of basic earnings per share:

Item		Six months ended 30 June 2015 (Unaudited)	2014 (Audited)
Net profit attributable to equity holders of the Company (RMB)	*A*	**26,629,318.88**	19,606,589.14
Number of shares at beginning of the period	*B*	**50,000,000**	50,000,000
Number of shares issued – Offer Shares	*C1*	**16,670,000**	–
Number of shares issued – Over-allotment Shares	*C2*	**2,500,400**	–
Number of shares at closing of the period	*C3*	**69,170,400**	50,000,000
Cumulated months after the increase of shares – Offer Shares	*D1*	**3**	–
Cumulated months after the increase of shares – Over-allotment Shares	*D2*	**2**	–
Number of months	*D3*	**6**	6
Weighted average number of ordinary shares outstanding	*E=B+C1*D1/D3+ C2*D2/D3*	**59,168,466.67**	50,000,000
Basic earnings per share (RMB)	*F=A/E*	**0.45**	0.39

Calculation process of diluted earnings per share:

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

INDUSTRY OVERVIEW

Since the announcement of the "Opinions of the CPC Central Committee and the State Council on Deepening the Healthcare System Reform" (中共中央國務院關於深化醫藥衛生體制改革的意見) in 2009, the government of the PRC has launched a series of policies to support the establishment of a basic medical and healthcare system covering both urban and rural citizens by 2020. In addition, the Ministry of Health of the PRC (中華人民共和國衛生部) issued the "Strategic Research Report for Health China 2020" (健康中國2020戰略研究報告) which states that seven major healthcare projects totaling up to RMB400 billion will be implemented by 2020, of which RMB 10.9 billion will be used for the development of county-level hospitals and increasing the investment in infrastructures, medical service capabilities and the quality management of hospitals, and it is expected that county-level hospitals will become the major growth focus of the healthcare infrastructure market. With deepening development of these healthcare reforms, it is expected that the demand for medical devices will increase substantially, implying huge market potential in the medical device industry.

The orthopedic implant market is a segment of the medical device market. The inclusion of medical device products in medical care insurance coverage under the PRC healthcare reform has increased the demand and acceptance for orthopedic implants. In addition, various favorable factors such as aging population, continuous growth in healthcare expenditure and improvements in public healthcare infrastructure have also propelled the growth of the orthopedic implant industry in the PRC.

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

BUSINESS REVIEW

We are a well-established orthopedic medical device company in China, focusing on the research and development, production and sales of implantable orthopedic medical devices which include joint prosthesis products and spinal products. Our Group's revenue was mainly derived from our sales to distributors in both China and overseas, whereas remaining revenue was derived from other sales channels including sales to ODM and OEM customers overseas and direct sales to hospitals in China.

For the six months end 30 June 2015, we recorded a revenue of RMB93.4 million, representing an increase of 43.7% as compared to the corresponding period of last year (corresponding period in 2014: RMB65.0 million). The gross profit was RMB68.5 million, representing an increase of 43.3% as compared to the corresponding period of last year (corresponding period in 2014: RMB47.8 million). The profit attributable to the equity holders of the Company was RMB26.6 million, representing an increase of 35.7% as compared to the corresponding period of last year (corresponding period in 2014: RMB19.6 million). Basic earnings per share was RMB0.45, representing a year-on-year increase of 15.4% (corresponding period in 2014: RMB0.39).

Diversified product portfolio

Being one of the first domestic enterprises to engage in research and development and manufacturing of joint prosthesis products in China, we have established a broad portfolio of joint prosthesis products and spinal products. Our joint prosthesis products cover four major joints (namely, hip, knee, shoulder and elbow) and our spinal products comprise a full product portfolio of the spinal fixation systems, including fixation systems in anterior and posterior cervical, thoracic, and lumbar vertebrae.

In addition, our Company offer two types of joint prosthesis products – standard joint prosthesis products and custom joint prosthesis products. The standard joint prosthesis products mainly include hip joint prostheses products and knee joint prostheses products, while the custom joint prosthesis products are 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, and are specifically designed and produced to cater for the needs of patients.

New business drivers

As the best abrasive medium for hip joint, ceramics have various advantages, including low abrasion rate, high sustainability of its prosthesis inside human body, no releasing of metallic ions, and it is widely used in related field. The Group is the first approved enterprise for Biolox delta ceramic hip joint prosthesis products in the PRC. Ceramic hip joint prosthesis products generated strong market response when they were launched in May 2015. Within the first three days after launching, more than 40 units of the Group's ceramic hip joint prosthesis products were used by more than 30 hospitals across the nation. With the re-tendering and registration of ceramic hip joint prosthesis products as new products in various provinces, municipalities and districts, their sales and usage will gradually increase.

In addition, the group officially cooperate with joint experts from Europe in this year and promote in mainland China the technology of hip joint anterior approach which is a minimal invasive surgery. As a new surgical technology, minimally invasive hip joint have various benefits such as small incision, reduced damage to muscle tissues, faster recovery and less blood loss and is widely used in Europe and the US; however, its application is still limited in the PRC due to restrictions such as lack of training, promotion, supporting equipment and facilities. Targeting at this new technology and market, the Group imported a complete set of advanced traction bed, researched and developed a complete set of equipment, and invited experts from Europe to come to China to provide training and promotion for this technology. It is expected that this will provide important driving force for the sales of the Company's products and the promotion to our brand image.

Meanwhile, we continue to develop our new products including interbody fusion cage using polyether ether ketone (PEEK) material, spinal titanium cage fixation system, vertebral extension sacculus catheter, trabecular hip joint prosthesis products and vertebral fixation system of which the clinical trials or trial testings have already commenced. We are also developing a new custom joint prosthesis product called advanced customised joint prosthesis which is an advanced model of our conventional custom joint prosthesis products with the use of advanced technologies such as 3D reconstruction on the basis of the Chinese skeleton database that we established through our cooperation with several hospitals in China.

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 China Food and Drug Administration, we are one of the domestic enterprises that hold the most comprehensive medical device registration certificates for joint prosthesis products in China in terms of number and types of certificates.

As at 30 June 2015, we held 10 medical device registration certificates in China for the production of medical devices which cover joint prosthesis products for the four major joints and spinal products, all of which are Class III medical device registration certificates. The Group's original 5 class I medical device registration certificates were revised to class I products filing certificates in accordance to the revised Regulation on the Supervision and Administration of Medical Devices (醫療器械監督管理條例), thus they are not included in this category. As China adopts strict product registration system for medical devices manufacturers, enterprises with complete product registrations are more competitive in the market.

Strong research and development capabilities

We are a state-level high and new technology enterprise (國家級高新技術企業) and are dedicated to the development of innovative products and continuous improvement of its research and development capability. As at 30 June 2015, we possessed a total of 29 registered patents, including 9 invention patents and 20 utility patents, and has also submitted applications for 22 invention patents.

Extensive distribution and sales network

Currently, we have built an extensive distribution network covering all provinces, municipalities and autonomous regions in China (excluding Hong Kong, Macau and Taiwan), and our sales network has covered numerous hospitals located in theses regions through our distributors. Most of our products are sold in China and some are exported to other countries in Asia, South America, Africa, Oceania and Europe under the brand name of "Chunli" (春立). We mainly sell our products through distributors, or on ODM and OEM bases. As at 30 June 2015, we had established stable relationship with approximately 490 distributors, and had not placed reliance on any single distributor.

Increase of production capacity

Currently, the Company has two production plants for the production of our joint prosthesis products and spinal products in Tongzhou, Beijing. In March 2014, the Company commenced the construction of new production facilities in Daxing, Beijing, which we acquired in

September 2012, to expand our production capacity of standard joint prosthesis products and spinal products, to develop and commercialize advanced customized joint prosthesis products and to construct a research and development center and a sales and marketing center.

FINANCIAL REVIEW

Revenue

Our revenue increased by 43.7% from approximately RMB65.0 million for the six months ended 30 June 2014 to approximately RMB93.4 million for the six months ended 30 June 2015. The increase in revenue was mainly attributable to the launching of ceramic hip joint prosthesis products and the expansion of sales network. The revenue of major products for the six months ended 30 June 2015 and the six months ended 30 June 2014 is as follows:

Product category	For the six months ended 30 June		Increase over corresponding period
	2015	2014	
	(RMB'000)	*(RMB'000)*	
Standard joint prosthesis products	**69,744**	45,489	53.3%
Custom joint prosthesis products	**18,262**	13,700	33.3%
Spinal products	**5,390**	5,819	-7.4%
Other business	**5**	0	–
Total	**93,401**	65,008	43.7%

Gross profit

Our gross profit increased by 43.3% from approximately RMB47.8 million for the six months ended 30 June 2014 to approximately RMB68.5 million for the six months ended 30 June 2015. Gross profit margin slightly decreased from 73.5% for the six months ended 30 June 2014 to 73.3% for the six months ended 30 June 2015.

Selling expenses

Our selling expenses increased by 91.7% from approximately RMB10.8 million for the six months ended 30 June 2014 to approximately RMB20.7 million for the six months ended 30 June 2015. The increase in selling expenses was mainly attributable to the increase in staff costs and the increase in expenditure in market development and product promotion as a result of business expansion.

Administrative expenses

Our administrative expenses increased by 35.9% from approximately RMB13.1 million for the six months ended 30 June 2014 to approximately RMB17.8 million for the six months ended 30 June 2015, which was mainly attributable to the increase in staff costs, the increase in our expenditure in research and development and the increase in listing expenses.

Impairment loss of assets

Our impairment loss of assets increased by 18.2% from approximately RMB1.1 million for the six months ended 30 June 2014 to approximately RMB1.3 million for the six months ended 30 June 2015. As there was an increase in accounts receivable, according to the impairment policy of the Company, the impairment also increased when calculating the impairment loss of accounts receivable.

Non-operating income

Our non-operating income increased by 33.3% from approximately RMB0.3 million for the six months ended 30 June 2014 to approximately RMB0.4 million for the six months ended 30 June 2015, which was mainly attributable to the increase in the government grants received by us.

Non-operating expenses

The significant increase in our non-operating expenses from approximately RMB5,000 for the six months ended 30 June 2014 to approximately RMB0.9 million for the six months ended 30 June 2015 was mainly attributable to the increase in our donation to the Community Chest of Hong Kong.

Income tax expenses

Our income tax expenses increased by 35.5% from approximately RMB3.1 million for the six months ended 30 June 2014 to approximately RMB4.2 million for the six months ended 30 June 2015 and the effective tax rate remained stable at 13.6% as compared to the corresponding period of last year.

Net profit for the period

Our net profit for the period increased by 35.7% from approximately RMB19.6 million for the six months ended 30 June 2014 to approximately RMB26.6 million for the six months ended 30 June 2015. The increase in net profit was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our cash and bank deposits balances increased by 249.5% from approximately RMB63.6 million as of 31 December 2014 to approximately RMB222.3 million as of 30 June 2015. There are no bank borrowing for the six months ended 30 June 2015.

Our sources of fund are mainly from the cash generated from our operations and the issue of H shares. The Board is of the opinion that we have sufficient resources to support our operations and meet our foreseeable capital expenditures.

Inventory

Our inventory increased by 22.0% from approximately RMB35.5 million as of 31 December 2014 to approximately RMB43.3 million as of 30 June 2015. The increase in inventory was mainly attributable to our business expansion and the growth in market demand.

Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 18.5% from approximately RMB40.5 million as of 31 December 2014 to approximately RMB48.0 million as of 30 June 2015. The increases in fixed assets and construction in progress were mainly attributable to the increase in our investment in the renovation of our second production site (the "Tongzhou Second Production Base"), the expansion of our new production base (the "Daxing New Production Base") and the acquisition of production facilities.

Net current assets

Our net current assets increased by 148.6% from approximately RMB136.2 million as of 31 December 2014 to approximately RMB338.6 million as of 30 June 2015. The increase in net current assets was mainly attributable to the proceeds from the issue of H shares.

Intangible assets

Our intangible assets slightly decreased by 1.1% from approximately RMB35.3 million as of 31 December 2014 to approximately RMB34.9 million as of 30 June 2015. The decrease in intangible assets was mainly attributable to the amortization of land use rights and software.

Cash flow analysis

For the six months ended 30 June 2015, our net cash flows used in operating activities was approximately RMB33.5 million, which was mainly attributable to the extended credit period for certain customers; our net cash flows used in investing activities was approximately RMB3.5 million, which was mainly due to the acquisition of fixed assets and construction in progress; our net cash flows generated from financing activities was approximately RMB193.8 million, which was mainly due to the proceeds from the issue of H shares; and our cash and cash equivalents increased by RMB158.8 million as compared to the end of last year.

Capital expenditure

For the six months ended 30 June 2015, we incurred capital expenditure in respect of fixed assets and construction in progress of approximately RMB14.8 million and our capital expenditure was mainly used in the renovation of Tongzhou Second Production Base, the expansion of Daxing New Production Base and the acquisition of production facilities.

Contingent liabilities and guarantees

As of 30 June 2015, we did not have any significant contingent liabilities or guarantees.

Capital commitment

As of 30 June 2015, our total capital commitment was approximately RMB428.1 million, which mainly comprised the expenses incurred in the construction of new plants in Daxing New Production Base and the acquisition of equipment.

SUBSEQUENT EVENTS

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

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 HK$228.2 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.

As of 30 June 2015, the proceeds from the global offering were not applied for any use.

FUTURE PROSPECTS

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

Expansion of the production facilities and strategic relocation

Expansion plan and increase of production capacity

We expect demand for our products would continue to increase. Our utilisation rate has increased steadily over the years. We plan to increase our production capacity significantly to meet the anticipated increasing market demand.

Meanwhile, we plan to purchase advanced equipment from overseas and optimise existing production facilities to strengthen our research and development capacity and trial testing standards, to ensure our sustainability and maintain our competitiveness by expanding our product portfolio while strengthening our competency and innovation capability.

To achieve these objectives, we are in the process of building a new production plant and facilities in Daxing New Production Base. Phase I of the development mainly involves the construction of the first production plant, the acquisition of equipment for the expansion of production capacity of standard joint prosthesis products and spinal products, the development and commercialisation of advanced customized joint prosthesis products and the construction of a research and development center and a sales and marketing center. Phase I of the development has been commenced in March 2014, and it is expected to be completed in around December 2016 and commenced operation in around October 2017.

Phase II of the development mainly includes the construction of the second production plant for the further development and commercialisation of ceramic hip joint prosthesis products and further expansion of production capacity of standard joint prosthesis products. Phase II of the development is expected to be commenced and completed in around January 2017 and December 2018 respectively. It is expected to commence operation in around October 2019.

Strategic relocation to our Tongzhou Second Production Base

We acquired the Tongzhou Second Production Base in January 2011, and the land on which it is erected adjacent to our current first production site (the "Tongzhou First Production Base"). We believed the Tongzhou Second Production Base could both cater for the needs of our business growth and serve as a replacement production site in case if we are required to relocate due to the title defect. Currently, we have carried out production at these two production simultaneously.

Diversify our product series and develop advanced customised joint prosthesis products

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

We are currently developing a new custom joint prosthesis product called advanced customised joint prosthesis. It is an advanced model of the conventional custom joint prosthesis products with the use of advanced technologies such as 3D reconstruction on the basis of the Chinese skeleton database (中國國民骨骼數據庫). The existing custom joint prosthesis products mainly target patients suffering from bone tumor and joint revision whereas the advanced customised joint prosthesis products have a wider range of application. They are high-end products which can better analyse and cater for specific needs of patients. As such, we believe that advanced customised joint prosthesis products can attract higher profit margin.

Expand the breadth and depth of our distribution and sales network and further explore the overseas market

We plan to expand our distribution and sales network by establishing various sales and marketing centers in different provinces including our central sales and marketing center in Daxing New Production Base. We aim to establish a total of seven marketing service centers strategically located in markets where we have lower brand presence by 2016. We also plan to gradually hire another 90 sales representatives to increase our sales force by 2017.

Meantime, we plan to accelerate the expansion of our sales in the overseas market. We are preparing the application for registration of our products to relevant local health regulatory authorities of Brazil and the United States for export to these countries.

Strengthen our innovation ability and increase the research and development resources

In the future, we shall continue our focus on the research and development of standard joint prosthesis products, advanced customised joint prosthesis products and spinal products. We plan to establish a product research and development center at our Daxing New Production Base, which is expected to consist of standard joint prostheses department, spinal products department, orthopedic trauma product department, biomechanics center and orthopedic devices standardization research and development center. Meanwhile, we would attract more research and development talents to join our research and development team. In addition, with our product research and development center, we can enhance our cooperation with well-known domestic and overseas medical institutes in order to strengthen our technology expertise and knowhow and competitiveness.

Expand our brand influence

To further strengthen our brand, we will continue to implement strict supervision on product quality to maintain our brand image. At the same time, we will actively organise 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 China and overseas to promote our products during such seminars. We will also strengthen the cooperation with different academic institutes and hospitals, and organise academic seminars at different levels and in various aspects so as to further increase our brand influence.

Retention of talents

We will continue to adhere to our existing talent development policy and attract high quality talents with competitive remuneration package, on the other hand, we have established an effective incentive and appraisal system to motivate the employees and ensure the retention of talents.

EMPLOYEES

As at 30 June 2015, the Group had a total of approximately 421 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff, general and administration staff. For the six months ended 30 June 2015, the total salary and related cost paid to our employees were approximately RMB15.2 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, 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 subsidiary purchased, redeemed or sold any of the Company's listed securities since the listing of the Company's shares on the Stock Exchange on 11 March 2015 (the "Listing Date").

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. The Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The Corporate Governance Code has been applicable to the Company with effect from the Listing Date. Pursuant to code provision A.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, Mr. Shi Chunbao currently performs the roles as the chairman and general manager. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of the Group, the Board will continue to review and consider whether the duties of the chairman and general manager should be separated.

Save as disclosed above, during the period from the Listing Date to the date of this announcement, the Company has complied with all applicable principles and code provisions of the Corporate Governance 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 for the period commencing on the Listing Date and ending on the date of this announcement.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has reviewed the Company's unaudited consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices. These financial statements have been reviewed by the Group's auditor, Pan-China Certified Public Accountants LLP.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM 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 2015 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.

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

Beijing, the PRC, 31 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Shi Chunbao, Ms. Yue Shujun and Mr. Zhang Zhendong; the non-executive director of the Company is Mr. Lin Yiming; and the independent non-executive directors of the Company are Ms. Xu Hong, Mr. Tong Xiaobo and Mr. Cheung Ying Kwan.