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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 subsidiary (the "**Group**") for the year ended December 31, 2015. 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 ("**Listing Rules**") and the China Accounting Standards.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	Notes	As at 31 December 2015 RMB	2014 RMB
Current assets:			
Cash and bank deposits		**239,066,355.74**	63,563,110.13
Notes receivable		**11,596,397.70**	7,684,649.00
Accounts receivable	*2*	**55,288,962.08**	42,893,825.42
Prepayments		**6,784,304.41**	3,669,393.96
Other receivables		**496,339.05**	982,276.55
Inventories		**64,635,690.31**	35,472,925.88
Other current assets		**1,709,648.89**	8,234,493.57
Total current assets		**379,577,698.18**	162,500,674.51
Non-current assets:			
Fixed assets		**50,848,279.82**	37,355,999.89
Construction in progress		**11,080,164.80**	3,128,934.07
Intangible assets		**34,463,938.52**	35,284,936.60
Deferred tax assets		**762,120.29**	709,789.61
Other non-current assets		**1,309,152.10**	875,690.60
Total non-current assets		**98,463,655.53**	77,355,350.77
Total assets		**478,041,353.71**	239,856,025.28
Current liabilities:			
Accounts payable	*3*	**27,758,856.31**	14,860,329.15
Receipts in advance		**1,993,646.86**	1,045,968.09
Employee benefits payable		**2,682,332.37**	2,097,740.19
Taxes payable		**171,998.72**	4,113,533.57
Other payables		**5,046,969.38**	4,191,783.01
Total current liabilities		**37,653,803.64**	26,309,354.01
Non-current liabilities:			
Deferred income		**16,673,255.31**	7,626,270.75
Deferred tax liabilities		**158,287.02**	–
Total non-current liabilities		**16,831,542.33**	7,626,270.75
Total liabilities		**54,485,345.97**	33,935,624.76

Item	*Notes*	As at 31 December **2015** ***RMB***	2014 *RMB*
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*	**17,376,350.74**	13,570,973.75
Retained earnings	*7*	**106,970,076.99**	78,996,831.62
Total shareholders' equity		**423,556,007.74**	205,920,400.52
Total liabilities and shareholders' equity		**478,041,353.71**	239,856,025.28
Net current assets		**341,923,894.54**	136,191,320.50
Total assets less current liabilities		**440,387,550.07**	213,546,671.27

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Year ended 31 December 2015 RMB	2014 RMB
I.	**Revenue**	*8*	**177,368,809.71**	134,534,445.96
	Less: Cost of sales	*8*	**55,279,800.95**	34,956,829.21
	Business taxes and levies		**1,496,735.64**	1,308,772.95
	Selling expenses		**45,397,143.56**	29,173,984.36
	Administrative expenses		**36,503,697.61**	25,822,282.45
	Finance expenses		**(5,136,710.01)**	(138,687.32)
	Impairment loss of assets		**332,390.68**	1,224,414.42
	Add: Investment income		**–**	61,643.84
II.	**Operating profit**		**43,495,751.28**	42,248,493.73
	Add: Non-operating income		**853,353.20**	692,127.25
	Less: Non-operating expenses		**854,912.04**	27,683.54
	Including:			
	Loss on disposals of non-current assets		**55,779.22**	–
III.	**Profit before tax for the year**		**43,494,192.44**	42,912,937.44
	Less: Income tax expenses	*9*	**5,628,574.88**	5,881,740.37
IV.	**Net profit for the year**		**37,865,617.56**	37,031,197.07
	Net profit attributable to the equity holders of the Company		**37,865,617.56**	37,031,197.07
V.	**Earnings per share:**			
	(I) Basic earnings per share	*10*	**0.59**	0.74
	(II) Diluted earnings per share	*10*	**0.59**	0.74
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**37,865,617.56**	37,031,197.07
	Total comprehensive income attributable to the equity holders of the Company		**37,865,617.56**	37,031,197.07

NOTES:

1 GENERAL

History and development

北京市春立正達醫療器械股份有限公司 (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 and by the Hong Kong Companies Ordinance which for the year ended 31 December 2015 continue to be those of the predecessor Companies Ordinance.

The financial statements have been prepared in accordance with the following 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 year ended 31 December 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 for the year ended 31 December 2015.

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 31 December 2014							
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
As at 31 December 2015							
Carrying amount	Amount (RMB)	**–**	**60,073,165.14**	**60,073,165.14**	**60,073,165.14**	**–**	**60,073,165.14**
	Percentage (%)	**–**	**100.00**	**100.00**	**100.00**	**–**	**100.00**
Provision	Amount (RMB)	**–**	**4,784,203.06**	**4,784,203.06**	**4,784,203.06**	**–**	**4,784,203.06**
	Percentage (%)	**–**	**7.96**	**7.96**	**7.96**	**–**	**7.96**
Net amount		**–**	**55,288,962.08**	**55,288,962.08**	**55,288,962.08**	**–**	**55,288,962.08**

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 31 December 2015			As at 31 December 2014		
	Carrying amount		Provision	Carrying amount		Provision
	Amount	Percentage		Amount	Percentage	
	RMB	*%*	*RMB*	*RMB*	*%*	*RMB*
Within 90 days	**19,484,909.39**	**32.44**	**584,547.28**	24,781,988.98	52.38	743,459.67
90 to 180 days	**21,729,020.54**	**36.17**	**651,870.62**	8,545,267.62	18.07	256,358.03
180 to 360 days	**12,921,124.60**	**21.51**	**387,633.74**	6,856,990.41	14.50	205,709.71
1 to 2 years	**2,260,705.05**	**3.76**	**180,856.40**	2,385,252.08	5.04	190,820.17
2 to 3 years	**394,620.55**	**0.66**	**78,924.11**	1,105,475.35	2.34	221,095.07
3 to 4 years	**530,320.70**	**0.88**	**265,160.35**	1,091,689.73	2.31	545,844.87
4 to 5 years	**586,268.75**	**0.98**	**469,015.00**	1,452,243.86	3.07	1,161,795.09
More than 5 years	**2,166,195.56**	**3.60**	**2,166,195.56**	1,083,074.20	2.29	1,083,074.20
Total	**60,073,165.14**	**100.00**	**4,784,203.06**	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 31 December	
	2015	2014
	RMB	*RMB*
Purchasing of materials	**26,689,784.82**	13,242,775.57
Purchasing of machinery and equipment	**1,069,071.49**	1,617,553.58
Total	**27,758,856.31**	14,860,329.15

Aging analysis of accounts payable is as follows:

Item	As at 31 December	
	2015	2014
	RMB	*RMB*
Within 1 year	**27,385,278.32**	14,585,983.66
1 to 2 years	**99,232.50**	232,869.29
2 to 3 years	**232,869.29**	–
3 years or above	**41,476.20**	41,476.20
Total	**27,758,856.31**	14,860,329.15

4 SHARE CAPITAL

Name	As at 31 December **2015** ***RMB***	 2014 *RMB*
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.

Details of the changes in share capital, the name of certified public accountants firm that performs the verification and the reference number of the capital verification report are as follows:

(a) Year ended 31 December 2014:

There were no movements in the share capital of the Company for the year ended 31 December 2014.

(b) Year ended 31 December 2015:

On 11 March 2015, the Company's H shares were listed on the Main Board of the Stock Exchange following the completion of the Listing as described in the prospectus of the Company dated 27 February 2015 and an aggregate of 16,670,000 H shares of RMB1.00 each were issued and offered for subscription under global offering at a price of HK$13.88 per share. The aggregate capital raised is HK$231,379,600.00, and the net proceeds after deducting the cost of issue is RMB158,407,322.62. The new share capital registered is RMB16,670,000.00 and the capital premium is RMB141,737,322.62 upon the listing of the Company's H shares on the Stock Exchange.

On 1 April 2015, an aggregate of 2,500,400 Over-allotment Shares were allotted and issued by the Company at HK$13.88 per H shares, being the offer price per H share under the global offering.

The aggregate capital raised is HK$34,705,552.00 which is equivalent to RMB27,449,662.24. The new share capital registered is RMB2,500,400.00, and the capital premium is RMB24,949,262.24.

5 CAPITAL RESERVE

Item	As at 31 December 2015 RMB	2014 RMB
Capital premium	**228,239,180.01**	61,552,595.15
Other capital reserve	**1,800,000.00**	1,800,000.00
Total	**230,039,180.01**	63,352,595.15

6 SURPLUS RESERVE

Item	As at 31 December 2015 RMB	2014 RMB
Statutory surplus reserve	**17,376,350.74**	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 year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

7 RETAINED EARNINGS

Item	Year ended 31 December 2015 RMB	2014 RMB
Closing balance of the preceding year	**78,996,831.62**	56,684,830.51
Opening balances of the current year	**78,996,831.62**	56,684,830.51
Add: Net profit attributable to equity owners of the Company	**37,865,617.56**	37,031,197.07
Less: Transfer to statutory reserve fund	**(3,805,376.99)**	(3,719,195.96)
Dividend declared	**(6,086,995.20)**	(11,000,000.00)
Closing balances of the current year	**106,970,076.99**	78,996,831.62

8. REVENUE AND COST OF SALES

Item	Year ended 31 December 2015 RMB	2014 RMB
Revenue from principal operation	**177,368,809.71**	134,534,445.96
Revenue from other operations	**–**	–
Cost of sales	**55,279,800.95**	34,956,829.21

Revenue and cost of sales (classified by products)

Item	Year ended 31 December 2015 RMB	2014 RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**177,368,809.71**	134,534,445.96
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**55,279,800.95**	34,956,829.21

Revenue and cost of sales (classified by geographical areas)

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

Area	Year ended 31 December 2015 RMB	2014 RMB
The PRC		
North	**50,285,962.54**	35,665,548.50
West	**20,446,032.71**	16,717,763.85
Central	**48,046,433.69**	31,183,867.46
East	**27,900,455.85**	19,259,778.55
South	**14,253,259.68**	12,522,260.62
	160,932,144.47	115,349,218.98
Other than the PRC	**16,436,665.24**	19,185,226.98
Total	**177,368,809.71**	134,534,445.96

9 INCOME TAX EXPENSE

Item	Year ended 31 December 2015 RMB	2014 RMB
Current income tax calculated in accordance with relevant tax laws and regulations	**5,522,618.54**	6,067,874.60
Deferred income tax	**105,956.34**	(186,134.23)
Total	**5,628,574.88**	5,881,740.37

Applicable tax rate

Item	Year ended 31 December 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 current income tax expenses to the accounting profit is as follows:

Items	Current period cumulative	Preceding period comparative
Profit before tax	**43,494,192.44**	42,912,937.44
Income tax expenses based on statutory/applicable tax rate	**6,524,128.87**	6,436,940.62
Effect of different tax rate applicable to subsidiaries	**(19,433.25)**	(16,694.27)
Effect of prior income tax reconciliation	**6,407.51**	(6,199.62)
Effect of non-deductible costs, expenses and losses	**84,233.34**	54,845.37
Others, such as tax effects on deductible research and development costs	**(1,009,164.52)**	(622,707.23)
Effect of deductible temporary differences or deductible losses not recognized	**42,402.95**	35,555.50
Income tax expenses	**5,628,574.88**	5,881,740.37

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

Calculation result

Item	Year ended 31 December 2015 *RMB*	2014 *RMB*
Earnings per share		
Net profit attributable to equity holders of the Company	**0.59**	0.74
Diluted earnings per share		
Net profit attributable to equity holders of the Company	**0.59**	0.74

Calculation process of basic earnings per share

Item		Year ended 31 December 2015	2014
Net profit attributable to equity holders of the Company (RMB)	*A*	**37,865,617.56**	37,031,197.07
Number of shares at beginning of the year	*B*	**50,000,000.00**	50,000,000.00
Number of shares at closing of the year	*C1*	**16,670,000.00**	50,000,000.00
Number of months	*D1*	**9**	12
Number of shares at closing of the year	*C2*	**2,500,400.00**	–
Number of months	*D2*	**8**	–
Number of months in the reporting period	*E*	**12**	–
Weighted average number of ordinary shares outstanding	$F=B+C1\times D1/E+C2\times D2/E$	**64,169,433.33**	50,000,000.00
Basic earnings per share (RMB)	$G=A/F$	**0.59**	0.74

Calculation process of diluted earnings per share

The calculation process of diluted earnings per share is the same as calculation process of 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In recent years, the relevant policies or measures adopted at national level are more favorable for the development of the medical device industry in China. The domestic medical device enterprises will eventually be benefited from measures such as the percentage of claim of medical care insurance and the selection of domestic medical devices led by the National Health and Family Planning Commission ("NHFPC") of the PRC.

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

Due to the wide range of medical device products available in the industry, the market in the 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 three major segments, namely trauma, spine and joint. In particular, the joint implant market is highly concentrated with multinational corporations dominating the market segment. However, with the advancement of the PRC healthcare reform and governmental support to Chinese companies through favourable policies, domestic companies are expected to increase their market share in the joint implant market by upgrading their product offerings.

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

Sources of relevant reference and summary:

2013

Opinions on Promoting the Development of Healthcare Services Business (關於促進健康服務業發展的若干意見)

To promote the "healthcare services industry" to the national strategic level, striving to increase the current overall scale of the healthcare services industry of RMB2 trillion to over RMB8 trillion by 2020.

2014

Special Review and Approval Procedure for Innovative Medical Devices (創新醫療器械特別審批程序)

To encourage research on and innovation of medical devices, in order to generate proactive effects in promoting the development of the medical device industry.

2014

The revised Regulation on the Supervision and Administration of Medical Devices (醫療器械監督管理條例)

Many new measures supporting the development of the industry were introduced, which actively promoted the upgrading, replacing and innovation of medical device products.

2014

Commencement of the first round of screening of domestic medical equipment by the NHFPC

Three types of basic medical equipment, namely, digital radiography, color Doppler ultrasound system and automatic biochemistry analyzers, were selected for the first round of screening. The second round of screening for premium domestic medical equipment was commenced in 2015. The following equipment were screened: – medical magnetic resonance imaging machines (MRI), computed tomography machines (CT), automatic blood cell analyzers, hemodialysis machines, ventilators, anesthesia machines and automatic drug distribution machine (outpatient clinic). It delivered a positive message to the domestic medical device industry.

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 31 December 2015, we held 15 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, of which 10 are Class III medical device registration certificates and 5 are Class I medical device registration certificates. As China adopts a strict product registration system for medical devices manufacturers, enterprises with complete product registrations are more competitive in the market.

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, joint prosthesis products are divided into standard joint prosthesis products and custom joint prosthesis products, both of which are offered by the Company. 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 according to the clinical needs.

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 possess the capability of developing innovative products and continuously improving our research and development. As at 31 December 2015, we possessed a total of 29 registered patents, including 9 invention patents and 20 utility patents.

Currently, in the Company, there are 47 research and development personnel, including personnel with doctoral, master and bachelor degrees and professionals with over 10 years of industry technology experience. Meanwhile, the Company attaches great importance to the cooperation between enterprises, academic institutions, scientific research organizations and clinical institutions when conducting research and development. We incorporate generously the opinions of experts of relevant fields into the process of research and development of new products and product enhancement, and carry out research and development and interaction with the experts, so as to ensure that newly developed products will meet the market demand and fulfil the requirement of clinical practicality.

The Company obtained the "Beijing Engineering Laboratory of joint prosthesis" (人工關節北京市工程實驗室) approved by Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會). The laboratory will undertake the country and Beijing's major research and development projects, and will actively cooperate with the country and Beijing on science popularization campaigns.

Advanced ceramic joints

In April 2015, the Company was the first enterprise in mainland China that obtained a registration certificate for the fourth generation of BIOLOX®delta ceramic joint covering both half-ceramics and all-ceramics which filled up the vacuum of high-end joints produced by domestic companies. BIOLOX®delta, being the latest ceramic product of German company CeramTec, has the clinical advantages of lower abrasion rate and better strength and durability, and can be widely used in hip joint replacement surgeries.

Prior to and after the launch of ceramic joints to the market, we held exchange activities such as numerous academic conferences, doctor training sessions and distributor training sessions across the country, so that our doctor clients and partnering distributors are able to use or skillfully use the ceramic products more effectively.

There will be increasing number of hospitals using the Company's ceramic joints as the tender offering, re-tendering or registration with hospitals for our ceramic joints in various provinces is gradually taking place or completes.

New products, new technologies

The new products that we develop, 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, are all currently at the stage of clinical trials.

DAMIS (Direct Anterior Minimum Invasive Surgery): We are currently introducing and promoting this minimally invasive surgical technology for hip joint to China. This technique has the benefits such as small incision, less blood loss, reduced damage to muscle tissues, small scar, lowered risk of joint dislocation, shortening the time patients stay in hospital and faster recovery after surgery. The Company also purchased from Europe the surgical traction bed especially designed for this technology together with its intellectual property right, and carried out in-depth cooperation with George Macheras, a renowned minimally invasive hip joint expert from Europe, to research, develop and enhance the traction bed and other specialized devices and to provide training activities such as touring academic seminars in China.

In 2015, the Company purchased from Arcam, a Swedish company, the most advanced 3D printing equipment of its Q10 series which can meet special clinical needs and be applied to the production of customized joint prosthesis in the future. Currently, the printed products are being trialed in several major hospitals in China.

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 these 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 "春立Chunli". We mainly sell our products through distributors, or on ODM and OEM bases. As at 31 December 2015, we had established stable relationship with approximately 500 distributors, and had not placed reliance on any single distributor.

Tongzhou Second New Factory

In September 2015, the Company relocated its overall production base to the Tongzhou Second New Factory (relocating since October 2014) which is owned by the Company. The entire factory area has a site area of over 5,000 square meters and a gross floor area of over 6,400 square meters.

Daxing Production Base

The Phase I of the Daxing Production Base, where the majority of proceeds raised by the Company's IPO was mainly invested on, is currently under construction. Currently, the construction of one building has been completed. (For details of Daxing Production Base, please refer to the Company's prospectus.)

Results Analysis and Discussion

Revenue

Our revenue increased by 31.9% from approximately RMB134.5 million in 2014 to approximately RMB177.4 million in 2015. The increase in revenue was mainly attributable to the launch of the ceramic hip joint prosthesis products and the expansion of sales network. The revenue of our major products in 2015 compared to the previous year is as follows:

Product category	**Year ended 31 December**		**Increase over Corresponding period**
	2015 *(RMB'000)*	2014 *(RMB'000)*	
Standard joint prosthesis products	**134,243**	91,987	45.90%
Custom joint prosthesis products	**30,028**	30,096	–0.20%
Spinal products	**13,097**	12,451	5.20%
Total	**177,368**	134,534	31.80%

Gross profit

Our gross profit increased by 22.6% from approximately RMB99.6 million in 2014 to approximately RMB122.1 million in 2015. Our gross profit margin decreased from 74.0% in 2014 to 68.8% in 2015. The decrease in gross profit margin was due to the launch of ceramic joint prosthesis products in 2015. Our ceramic joint prosthesis products has a lower gross profit margin than other products since certain components of ceramic hip joint prosthesis products including ceramic femoral head and lining were imported from CeramTec, a globally renowned ceramics manufacturer in Germany.

Selling expenses

Our selling expenses increased by 55.5% from approximately RMB29.2 million in 2014 to approximately RMB45.4 million in 2015. The increase in selling expenses was mainly attributable to the increase in the number of sales personnel, the increase in staff costs and an increase in investment in our market development and our products promotion because of business expansion.

Administrative expenses

Our administrative expenses increased by 41.5% from approximately RMB25.8 million in 2014 to approximately RMB36.5 million in 2015, which was mainly attributable to the increase in staff costs, the increase in our investment in research and development and the increase in expenses of listing-related follow-up services.

Impairment loss of assets

Our impairment loss of assets decreased by 75.0% from approximately RMB1.2 million in 2014 to approximately RMB0.3 million in 2015, which was mainly attributable to the decrease in impairment loss of our accounts receivable in accordance with the impairment policy of the Company.

Non-operating income

Our non-operating income increased by 28.6% from approximately RMB0.7 million in 2014 to approximately RMB0.9 million in 2015, which was mainly attributable to the increase in the government grants received by the Company.

Non-operating expenses

Our non-operating expenses significantly increased from approximately RMB0.03 million in 2014 to approximately RMB0.9 million in 2015, which was mainly attributable to the increase in our donation to the Community Chest of Hong Kong.

Income tax expenses

Our income tax expenses decreased by 5.1% from approximately RMB5.9 million in 2014 to approximately RMB5.6 million in 2015 and our effective tax rate decreased from 13.7% for the same period last year to 12.6% in 2015.

Net Profit for the year

Our net profit for the year increased by 2.4% from approximately RMB37.0 million in 2014 to approximately RMB37.9 million in 2015. The increase in net profit was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity increased by 276% from approximately RMB63.6 million as of 31 December 2014 to approximately RMB239.1 million as of 31 December 2015.

Our principal sources of liquidity are 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 82% from approximately RMB35.5 million as of 31 December 2014 to approximately RMB64.6 million as of 31 December 2015. The increase in inventory was mainly attributable to our business expansion and the growth in market demand in 2015 and the purchase of related raw materials and production of the finished goods caused by the promotion of ceramic hip joint prosthesis products.

Fixed Assets and Construction in Progress

Our fixed assets and construction in progress increased by 52.8% from approximately RMB40.5 million as of 31 December 2014 to approximately RMB61.9 million as of 31 December 2015. The increases in fixed assets and construction in progress were mainly attributable to the expansion of the Daxing New Production Base and the acquisition of production facilities in 2015.

Net current assets

Our net current assets increased by 151.0% from approximately RMB136.2 million as of 31 December 2014 to approximately RMB341.9 million as of 31 December 2015. The increase in net current assets was mainly attributable to the increase in inventory and proceeds raised from the issue of H shares.

Intangible assets

Our intangible assets slightly decreased by 2.3% from approximately RMB35.3 million as of 31 December 2014 to approximately RMB34.5 million as of 31 December 2015. The decrease in intangible assets was mainly attributable to the amortization of land use rights and software.

Cash flow analysis

In 2015, our net cash outflows generated from operating activities was RMB0.5 million, which was mainly due to the purchase of products and workers expenses; our net cash outflows generated from investing activities was RMB17.7 million, which was mainly due to the acquisition of fixed assets and construction in progress; our net cash inflows generated from financing activities was RMB187.7 million, which was mainly due to the proceeds raised from the issue of H share; netting the effect of foreign exchange rate changes on cash and cash equivalents of RMB2.0 million, our cash and cash equivalents increased by RMB171.5 million as compared to the end of last year.

Capital expenditure

Our capital expenditure was mainly used in the expansion of Daxing New Production Base and the acquisition of production facilities.

Contingent liabilities and guarantees

As of 31 December 2015, we did not have any significant contingent liabilities or guarantees.

Capital commitment

As of 31 December 2015, our total capital commitment was approximately RMB429.3 million, which mainly comprised the expenses incurred due to 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 RMB185.86 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 February 2015.

As of 31 December 2015, approximately RMB24.70 million out of the proceeds from the global offering has been applied.

FUTURE PROSPECTS

Looking 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:

Tongzhou Second New Factory

Since October 2014, the Company relocated its whole production base to Tongzhou Second New Factory, which completed in September 2015. This factory is owned by the Company. This factory is of a site area of over 5,000 square meters, with a gross floor area of over 6,400 square meters.

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 currently 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 exporting 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 31 December 2015, our Group had a total of approximately 424 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff, general and administration staff. For the year ended 31 December 2015, the total salary and related cost paid to our employees were approximately RMB34.2 million. Our Group enters into individual employment contracts with employees to cover matters such as salaries, bonus, employee benefits, contract term, duties, location of workplace, working hours, leave policies, labor protection, confidentiality, non-competition and grounds for termination, etc.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither our Company, nor its subsidiary purchased, redeemed or sold any of our Company's listed securities since the listing of the Company's shares on the Stock Exchange on 11 March 2015 (the "Listing Date").

FINAL DIVIDEND

The Board proposed the declaration of final dividend of RMB0.088 per share (including tax charge) for the year ended 31 December 2015 (2014: RMB0.088 per share (including tax charge)). The declaration of the final dividend is subject to the shareholders' approval in the forthcoming annual general meeting.

The final dividend payable to the holders of H Shares will be paid in HK$. The applicable exchange rate would be the average mid-point rate of the relevant foreign currencies as published on the website of the People's Bank of China for the seven business days prior to the declaration of such dividends and other payments.

CORPORATE GOVERNANCE

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our 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 our Group and enables more efficient overall strategic planning for our Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable our Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of our 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, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE

Our Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for directors' and supervisors' securities transactions. Having made specific enquiry with the directors and supervisors, all of the Directors and Supervisors confirmed that they have complied with the required standard as set out in the Model Code for the period commencing on the listing date and ending on the date of this announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed our Company's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices.

SCOPE OF WORK OF PAN-CHINA CERTIFIED PUBLIC ACCOUNTANTS LLP

The figures in respect of the preliminary announcement of our Group's results for the year ended 31 December 2015 have been agreed by our Group's auditor, Pan-China Certified Public Accountants LLP, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by Pan-China Certified Public Accountants LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Pan-China Certified Public Accountants LLP on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

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

Our Company's 2015 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders of our Company and will be published on our 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, 30 March 2016

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

* *For identification purposes only*