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 2016

The Board (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 six months ended 30 June 2016. 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.

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	*Notes*	**As at 30 June 2016** ***RMB***	As at 31 December 2015 *RMB*
Current assets:			
Cash and bank deposits		**233,415,277.50**	239,066,355.74
Notes receivable		**16,700,629.10**	11,596,397.70
Accounts receivable	*2*	**102,466,013.15**	55,288,962.08
Prepayments		**2,419,386.23**	6,784,304.41
Other receivables		**675,002.44**	496,339.05
Inventories		**63,737,454.70**	64,635,690.31
Other current assets		**186,162.15**	1,709,648.89
Total current assets		**419,599,925.27**	379,577,698.18
Non-current assets:			
Fixed assets		**53,089,522.60**	50,848,279.82
Construction in progress		**11,166,768.82**	11,080,164.80
Intangible assets		**34,335,084.28**	34,463,938.52
Deferred tax assets		**1,068,362.82**	762,120.29
Other non-current assets		**611,679.10**	1,309,152.10
Total non-current assets		**100,271,417.62**	98,463,655.53
Total assets		**519,871,342.89**	478,041,353.71
Current liabilities:			
Accounts payable	*3*	**23,691,398.10**	27,758,856.31
Receipts in advance		**2,494,536.05**	1,993,646.86
Employee benefits payable		**2,823,377.46**	2,682,332.37
Taxes payable		**3,402,479.69**	171,998.72
Dividends payable		**6,086,995.20**	–
Other payables		**8,370,713.03**	5,046,969.38
Total current liabilities		**46,869,499.53**	37,653,803.64
Non-current liabilities:			
Deferred income		**19,032,972.59**	16,673,255.31
Deferred tax liabilities		**271,386.46**	158,287.02
Total non-current liabilities		**19,304,359.05**	16,831,542.33
Total liabilities		**66,173,858.58**	54,485,345.97

Item	Notes	As at 30 June 2016 RMB	As at 31 December 2015 RMB
Shareholders' equity:			
Share capital	4	**69,170,400.00**	69,170,400.00
Capital reserve	5	**230,039,180.01**	230,039,180.01
Surplus reserve	6	**17,376,350.74**	17,376,350.74
Retained earnings	7	**137,111,553.56**	106,970,076.99
Total shareholders' equity		**453,697,484.31**	423,556,007.74
Total liabilities and shareholders' equity		**519,871,342.89**	478,041,353.71
Net current assets		**372,730,425.74**	341,923,894.54
Total assets less current liabilities		**473,001,843.36**	440,387,550.07

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Six months ended 30 June 2016 RMB	2015 RMB
I.	**Revenue**	8	**111,072,693.48**	93,400,647.69
	Less: Cost of sales	8	**27,690,636.13**	24,947,461.55
	Business taxes and levies		**1,227,531.56**	1,069,974.46
	Selling expenses		**26,371,931.66**	20,733,811.84
	Administrative expenses		**15,290,319.87**	17,766,535.08
	Finance expenses		**(2,882,477.41)**	(3,698,057.51)
	Impairment loss of assets		**2,041,616.91**	1,285,721.18
	Add: Investment income		**–**	–
II.	**Operating profit**		**41,333,134.76**	31,295,201.09
	Add: Non-operating income		**886,159.55**	376,575.86
	Less: Non-operating expenses		**6,303.50**	854,912.04
	Including: Loss on disposals of non-current assets		**4,903.50**	55,779.22
III.	**Profit before tax for the year**		**42,212,990.81**	30,816,864.91
	Less: Income tax expenses	9	**5,984,519.04**	4,187,546.03
IV.	**Net profit for the year**		**36,228,471.77**	26,629,318.88
	Net profit attributable to the equity holders of the Company		**36,228,471.77**	26,629,318.88
V.	**Earnings per share:**			
	(I) Basic earnings per share	10	**0.52**	0.45
	(II) Diluted earnings per share	10	**0.52**	0.45
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**36,228,471.77**	26,629,318.88
	Total comprehensive income attributable to the equity holders of the Company		**36,228,471.77**	26,629,318.88

NOTES:

1 GENERAL

History and development

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

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

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 Cap. 622. In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the requirements of the predecessor Companies Ordinance (Cap. 32) continue to apply during the six months ended 30 June 2016.

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 2016, 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 2016 and has early adopted the following new and revised CASBE that are issued but not yet effective during the six months ended 30 June 2016.

- CASBE 2 "*Long-term Equity Investment*" *(revised)*
- CASBE 9 "*Employee Remuneration*" *(revised)*
- CASBE 30 "*Presentation of Financial Statements*" *(revised)*
- CASBE 33"*Consolidated Financial Statements*" *(revised)*
- CASBE 37"*Presentation of Financial Instruments*" *(revised)*
- CASBE 39"*Fair Value Measurement*"
- CASBE 40 "*Joint Venture Arrangement*"
- CASBE 41 "*Disclosure of Interests in Other Entities*"

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 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
As at 30 June 2016							
Carrying amount	Amount (RMB)	–	109,292,124.29	109,292,124.29	109,292,124.29	–	109,292,124.29
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	6,826,111.14	6,826,111.14	6,826,111.14	–	6,826,111.14
	Percentage (%)	–	6.25	6.25	6.25	–	6.25
Net amount		–	102,466,013.15	102,466,013.15	102,466,013.15	–	102,466,013.15

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 2016** **Carrying amount** **Amount** *RMB*	**Percentage** *%*	**Provision** *RMB*	As at 31 December 2015 Carrying amount Amount *RMB*	Percentage *%*	Provision *RMB*
Within 90 days	**34,216,943.26**	**31.31**	**1,026,508.29**	19,484,909.39	32.44	584,547.28
90 to 180 days	**37,084,947.84**	**33.93**	**1,112,548.44**	21,729,020.54	36.17	651,870.62
180 to 360 days	**25,657,674.85**	**23.48**	**769,730.25**	12,921,124.60	21.51	387,633.74
1 to 2 years	**8,174,571.51**	**7.48**	**653,965.72**	2,260,705.05	3.76	180,856.40
2 to 3 years	**853,385.22**	**0.78**	**170,677.04**	394,620.55	0.66	78,924.11
3 to 4 years	**262,924.50**	**0.24**	**131,462.25**	530,320.70	0.88	265,160.35
4 to 5 years	**402,289.80**	**0.37**	**321,831.84**	586,268.75	0.98	469,015.00
More than 5 years	**2,639,387.31**	**2.41**	**2,639,387.31**	2,166,195.56	3.60	2,166,195.56
Total	**109,292,124.29**	**100.00**	**6,826,111.14**	60,073,165.14	100.00	4,784,203.06

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 2016** *RMB*	As at 31 December 2015 *RMB*
Purchasing of materials	**23,405,109.51**	26,689,784.82
Purchasing of machinery and equipment	**286,288.59**	1,069,071.49
Total	**23,691,398.10**	27,758,856.31

Aging analysis of accounts payable is as follows:

Item	As at 30 June 2016 *RMB*	As at 31 December 2015 *RMB*
Within 1 year	**23,352,020.11**	27,385,278.32
1 to 2 years	**65,032.50**	99,232.50
2 to 3 years	**232,869.29**	232,869.29
3 years or above	**41,476.20**	41,476.20
Total	**23,691,398.10**	27,758,856.31

4 SHARE CAPITAL

Name	As at 30 June 2016 *RMB*	As at 31 December 2015 *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**	19,170,400.00
Total	**69,170,400.00**	69,170,400.00

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	**As at 30 June 2016** *RMB*	As at 31 December 2015 *RMB*
Capital premium	**228,239,180.01**	228,239,180.01
Other capital reserve	**1,800,000.00**	1,800,000.00
Total	**230,039,180.01**	230,039,180.01

6 SURPLUS RESERVE

Item	**As at 30 June 2016** *RMB*	As at 31 December 2015 *RMB*
Statutory surplus reserve	**17,376,350.74**	17,376,350.74

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	**As at 30 June 2016** *RMB*	As at 31 December 2015 *RMB*
Closing balance of the preceding year	**106,970,076.99**	78,996,831.62
Opening balances of the current year	**106,970,076.99**	78,996,831.62
Add: Net profit attributable to equity owners of the Company	**36,228,471.77**	37,865,617.56
Less: Transfer to statutory reserve fund	**–**	3,805,376.99
Dividend declared	**6,086,995.20**	6,086,995.20
Closing balances of the current year	**137,111,553.56**	106,970,076.99

8 REVENUE AND COST OF SALES

Item	Six months ended 30 June **2016** ***RMB***	 2015 *RMB*
Revenue from principal operation	**111,072,693.48**	93,400,647.69
Revenue from other operations	**–**	–
Cost of sales	**27,690,636.13**	24,947,461.55

Revenue and cost of sales (classified by products)

Item	Six months ended 30 June **2016** ***RMB***	 2015 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**111,072,693.48**	93,400,647.69
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**27,690,636.13**	24,947,461.55

Revenue and cost of sales (classified by geographical areas)

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

Area	Six months ended 30 June **2016** ***RMB***	 2015 *RMB*
The PRC		
North	**35,215,211.51**	25,790,487.81
West	**14,719,243.37**	9,862,380.58
Central	**29,281,588.76**	28,539,829.44
East	**16,752,465.56**	12,495,188.12
South	**7,859,336.33**	7,456,991.64
	103,827,845.53	84,144,877.59
Other than the PRC	**7,244,847.95**	9,255,770.10
Total	**111,072,693.48**	93,400,647.69

9 INCOME TAX EXPENSE

Item	Six months ended 30 June **2016** ***RMB***	 2015 *RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**6,177,662.13**	4,380,404.21
Deferred income tax	**(193,143.09)**	(192,858.18)
Total	**5,984,519.04**	4,187,546.03

Applicable tax rate

Item	Six months ended 30 June **2016**	 2015
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 **2016** ***RMB***	 2015 *RMB*
Profit before tax	**42,212,990.81**	30,816,864.91
Income tax expenses based on statutory/applicable tax rate	**6,331,948.63**	4,622,529.73
Effect of different tax rate applicable to subsidiaries	**(14,403.97)**	(7,355.89)
Effect of prior income tax reconciliation	**(8,782.93)**	6,407.51
Effect of non-deductible costs, expenses and losses	**48,169.69**	(39,755.89)
Others, such as tax effects on deductible research and development costs	**(408,422.30)**	(412,669.15)
Effect of deductible temporary differences or deductible losses not recognized	**36,009.92**	18,389.72
Income tax expenses	**5,984,519.04**	4,187,546.03

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

Calculation result

Item	Six months ended 30 June 2016 *RMB*	2015 *RMB*
Earnings per share		
Net profit attributable to equity holders of the Company	**0.52**	0.45
Diluted earnings per share		
Net profit attributable to equity holders of the Company	**0.52**	0.45

Calculation process of basic earnings per share

Item		Six months ended 30 June 2016	2015
Net profit attributable to equity holders of the Company (RMB)	*A*	**36,228,471.77**	26,629,318.88
Number of shares at beginning of the year	*B*	**69,170,400.00**	50,000,000.00
Number of shares issued – Offer Shares	*C1*	**–**	16,670,000.00
Number of shares issued – Over-allotment Shares	*C2*	**–**	2,500,400.00
Number of shares at closing of the period	*C3*	**–**	69,170,400.00
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
Weighted average number of ordinary shares outstanding	*E=B+C1*D1/D3+ C2*D2/D3*	**69,170,400.00**	59,168,466.67
Basic earnings per share (RMB)	*F=A/E*	**0.52**	0.45

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

In recent years, the relevant policies or measures adopted at national level are becoming more and 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 medical care insurance reimbursement proportion and the selection of domestic medical devices led by the National Health and Family Planning Commission (the "**NHFPC**").

The orthopedic implant [*(note)*] market, a segment of the medical device market, has experienced rapid growth 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.

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

Comprehensive medical device registration certificates

According to the domestic joint products registration index (國產關節類產品註冊檢索) of the 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 2016, 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.

New products and new technologies

During the reporting period, the Company launched XN knee joint system (a new knee joint prosthesis products), targeting at high-end knee joint market. With the significant improvement in design philosophy, specifications and mechanical engineering as compared to most of the knee joint prosthesis products in the market, such system has already been applied in more than a hundred of clinical cases. As the commercialization of new prosthesis products may require some time for promotion, training and application, the Company expects XN knee joint will gradually increase the Company's sales in next few years.

The Company's ceramic hip joint prosthesis products generated strong market responses when they were launched last year. In the first half of this year, ceramic products continuously made contribution to the turnover of joint prosthesis products for the Company and have become the major product of the hip joint prosthesis products.

Meanwhile, the Group continuously worked with joint experts from Europe and promoted the minimally invasive surgical technology for hip joint in mainland China. As a new surgical technology, minimally invasive hip joint has various benefits such as small incision, reduced damages to muscle tissues, faster recovery and less blood loss and is widely used in Europe and the USA. The Group has manufactured tailored tools and traction bed and has put the technology into clinical application in the market. This technology will continue to provide important driving force for the sales of the Company's products and the promotion of our brand image.

The Group has achieved the target of expanding the model and enhancing the tools of T-free (XM) knee joint, one of the knee joint prosthesis products which has been sold for over 10 years, and the Group has acquired additional purchase orders and such new models have been applied in clinical cases.

Continuous development and introduction of new products to the market enables the Company to respond scuffling, thus enhancing our resistance to risks.

Customized joint prosthesis products offerings

The Group's customized (modular) joint prosthesis products which are provided for patients suffering from bone tumor and comminuted fracture are one of the Group's products with higher competitiveness.

The Sweden ArcamQ10 equipment purchased by the Group last year has been put into use in the first half of this year. The 3D-printed products produced by the equipment can tailor joint prosthesis products for individual patients, including but not limited to those who suffering from bone defect, bony deformities and who have special needs, and this would further expand the coverage and market of the Group's customized products.

Spinal products

The Group achieved its target of expanding the model and enhancing the tools of special products, for example, "Posterior lamina in cervical vertebra" (頸椎後路板) and "U-type screw 21" (U型釘21) which were applied in clinical cases. The Group also achieved the target of enhancing and upgrading the tools of 3.5 screw fixation system in posterior cervical fixation system and 5.5 screw fixation system in lumbar vertebrae fixation system sold by the Group, and this boosted the Group's competitiveness and helped provide better services for the clinical applications.

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 30 June 2016, we possessed a total of 29 registered patents, including 9 invention patents and 20 utility patents.

Currently, in the Company, there are 40 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.

Extensive distribution and sales network

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.

Others

Pursuant to the Notice on Soliciting Letter of Opinions on Corporate Accounting Standard No. 14 – Revenue (amendment) (Opinions Solicotaion) (hereinafter referred to as "**Soliciting Letter of Opinions on Revenue**") promulgated by the Ministry of Finance, it is intended to amend Corporate Accounting Standard No. 14 – Revenue and the amended standard will be effective from 1 January 2018. We anticipate that this rule might have impact on the recognition of the Company's revenue and changes or adjustments will be made as and when appropriate in accordance with relevant rule.

Save as disclosed in this announcement, there are no material change affecting the Company's performance which are required to be disclosed under Appendix 16 of the Listing Rules since the publication of the last annual report.

FINANCIAL REVIEW

Revenue

Our revenue increased by 18.9% from approximately RMB93.4 million for the six months ended 30 June 2015 to approximately RMB111.1 million for the six months ended 30 June 2016. The increase in revenue was mainly attributable to the sales growth of standard joint and ceramic hip joint prosthesis products and the expansion of sales network. The revenue of major products compared to the corresponding period of previous year is as follows:

Product category	**For the six months ended 30 June**		Increase over Corresponding period
	2016	2015	
	(RMB'000)	*(RMB'000)*	
Standard joint	**90,869**	69,744	30.3%
Custom joint	**16,234**	18,262	-11.1%
Spinal products	**3,967**	5,390	-26.4%
Other business	**4**	5	-20.0%
Total	**111,073**	93,401	18.9%

Gross profit

Our gross profit increased by 21.8% from approximately RMB68.5 million for the six months ended 30 June 2015 to approximately RMB83.4 million for the six months ended 30 June 2016. Gross profit margin increased from 73.3% for the six months ended 30 June 2015 to 75.1% for the six months ended 30 June 2016.

Selling expenses

Our selling expenses increased by 27.5% from approximately RMB20.7 million for the six months ended 30 June 2015 to approximately RMB26.4 million for the six months ended 30 June 2016. The increase in selling expenses was mainly attributable to the increase in sales staff and staff costs and the increase in expenditure in market development and product promotion as a result of business expansion.

Administrative expenses

Our administrative expenses decreased by 14.0% from approximately RMB17.8 million for the six months ended 30 June 2015 to approximately RMB15.3 million for the six months ended 30 June 2016, which was mainly attributable to the decrease in administrative staff costs, the increase in our expenditure in research and development and the decrease of expenses for listing related subsequent services.

Impairment loss of assets

Our impairment loss of assets increased by 53.8% from approximately RMB1.3 million for the six months ended 30 June 2015 to approximately RMB2.0 million for the six months ended 30 June 2016. As there was an increase in trade receivables, according to the impairment policy of the Company, the impairment also increased when calculating the impairment loss of trade receivables.

Non-operating income

Our non-operating income increased by 125% from approximately RMB0.4 million for the six months ended 30 June 2015 to approximately RMB0.9 million for the six months ended 30 June 2016, which was mainly attributable to the increase in the government grants received by us.

Non-operating expenses

The significant decrease in our non-operating expenses from approximately RMB0.9 million for the six months ended 30 June 2015 to approximately RMB6,000 for the six months ended 30 June 2016 was mainly attributable to the decrease in our donation to the Community Chest of Hong Kong.

Income tax expenses

Our income tax expenses increased by 42.9% from approximately RMB4.2 million for the six months ended 30 June 2015 to approximately RMB6.0 million for the six months ended 30 June 2016, and the effective tax rate increased from 13.6% for the six months ended 30 June 2015 to 14.2% for the six months ended 30 June 2016.

Net profit for the year

Our net profit for the year increased by 36.1% from approximately RMB26.6 million for the six months ended 30 June 2015 to approximately RMB36.2 million for the six months ended 30 June 2016. The increase in net profit was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity decreased by 2.4% from approximately RMB239.1 million as of 31 December 2015 to approximately RMB233.4 million as of 30 June 2016.

Our sources of fund mainly consisted of the cash generated from our operations and the proceeds from 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 decreased by 1.4% from approximately RMB64.6 million as of 31 December 2015 to approximately RMB63.7 million as of 30 June 2016.

Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 3.9% from approximately RMB61.9 million as of 31 December 2015 to approximately RMB64.3 million as of 30 June 2016. The increase in fixed assets and construction in progress was mainly attributable to the increase of our investment for expansion of Daxing New Production Base and acquisition of production facilities in connection therewith in 2016.

Net current assets

Our net current assets increased by 9% from approximately RMB341.9 million as of 31 December 2015 to approximately RMB372.7 million as of 30 June 2016. The increase in net current assets was mainly attributable to increase of trade receivables.

Intangible assets

Our intangible assets slightly decreased by 0.6% from approximately RMB34.5 million as of 31 December 2015 to approximately RMB34.3 million as of 30 June 2016. The decrease in intangible assets was mainly attributable to the amortization of land use rights and software.

Working capital and financial resources

Cash flow analysis

As of 30 June 2016, our net cash outflow in operating activities was RMB62.6 million, which was mainly attributable to payment for acquiring commodities and accepting services; our net cash inflows from investing activities was RMB4.2 million, which was mainly due to the government grants received and the interest income; our net cash inflow from financing activities was nil; and our cash and cash equivalents decreased by RMB1.6 million as compared to the end of last year.

Capital expenditure

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

Contingent liabilities or guarantees

As of 30 June 2016, we did not have any significant contingent liabilities or guarantees.

Capital commitment

As of 30 June 2016, our total capital commitment was approximately RMB412 million, which mainly comprised the expenses incurred for construction of new plants in Daxing New Production Base and the acquisition of relevant equipments.

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 by the Company in such manner as 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 2016, approximately RMB27 million out of the proceeds from the global offering has been used by the Company.

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:

Expansion of the production facilities

The Company plan to increase its production capacity significantly to meet the anticipated increasing market demand. The Company are in the process of building a new production plant and facilities (the "**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. (For details of the Daxing New Production Base, please refer to the Company's prospectus.)

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 portfolio 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 at 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

Currently, the marketing team of the Group comprises over 120 staff, which covers almost all provinces in mainland China, enabling us to provide services such as product training, aftersales services to clinician and distributor partners in a more convenient way and to cultivate talents and lay foundation for our further expansion. Moreover, we shall further recruit senior sales managers and sales representatives to expand our marketing team, so in those provinces and cities with larger population, more sales personnel will be allocated to conduct customer service.

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 2016, the Group had a total of approximately 427 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff, general and administration staff. As at 30 June 2016, the total salary and related costs paid to our employees were approximately RMB18.6 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

For the six months ended 30 June 2016, neither the Company, nor its subsidiary purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2016.

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 11 March 2015. 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 reporting period, 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 during the reporting period.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has reviewed the Company's consolidated financial statements for the six months ended 30 June 2016, including the applicable accounting principles and practices.

These financial statements have been reviewed by Pan-China Certified Public Accountants LLP (special general partner).

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

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

The Company's 2016 Interim Report containing all such information as 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, 30 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Shi Chunbao and Ms. Yue Shujun; 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.