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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 2016

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 31 December 2016. The results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the China Accounting Standards.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	*Notes*	**As at 31 December 2016** *RMB*	As at 31 December 2015 *RMB*
Current assets:			
Cash and bank deposits		**297,285,790.16**	239,066,355.74
Notes receivable		**12,207,859.40**	11,596,397.70
Accounts receivable	*2*	**68,472,003.04**	55,288,962.08
Prepayments		**829,678.43**	6,784,304.41
Other receivables		**863,240.69**	496,339.05
Inventories		**59,591,366.45**	64,635,690.31
Other current assets		**176,195.81**	1,709,648.89
Total current assets		**439,426,133.98**	379,577,698.18
Non-current assets:			
Fixed assets		**51,074,794.44**	50,848,279.82
Construction in progress		**11,284,911.93**	11,080,164.80
Intangible assets		**33,892,975.08**	34,463,938.52
Deferred tax assets		**1,471,457.51**	762,120.29
Other non-current assets		**2,978,555.00**	1,309,152.10
Total non-current assets		**100,702,693.96**	98,463,655.53
Total assets		**540,128,827.94**	478,041,353.71
Current liabilities:			
Accounts payable	*3*	**19,030,101.28**	27,758,856.31
Receipts in advance		**4,953,824.06**	1,993,646.86
Employee benefits payable		**2,989,533.99**	2,682,332.37
Taxes payable		**8,741,879.96**	171,998.72
Dividends payable		**–**	–
Other payables		**6,276,448.83**	5,046,969.38
Total current liabilities		**41,991,788.12**	37,653,803.64
Non-current liabilities:			
Deferred income		**16,805,269.13**	16,673,255.31
Deferred tax liabilities		**422,167.33**	158,287.02
Total non-current liabilities		**17,227,436.46**	16,831,542.33
Total liabilities		**59,219,224.58**	54,485,345.97

Item	*Notes*	**As at 31 December 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*	**23,774,980.13**	17,376,350.74
Retained earnings	*7*	**157,925,043.22**	106,970,076.99
Total shareholders' equity		**480,909,603.36**	423,556,007.74
Total liabilities and shareholders' equity		**540,128,827.94**	478,041,353.71
Net current assets		**397,434,345.86**	341,923,894.54
Total assets less current liabilities		**498,137,039.82**	440,387,550.07

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Year ended 31 December 2016 RMB	2015 RMB
I.	**Revenue**	*8*	**207,926,096.34**	177,368,809.71
	Less: Cost of sales	*8*	**48,261,494.80**	55,279,800.95
	Taxes and levies		**2,545,293.61**	1,496,735.64
	Selling expenses		**52,228,116.53**	45,397,143.56
	Administrative expenses		**35,190,372.34**	36,503,697.61
	Finance expenses		**(5,835,148.95)**	(5,136,710.01)
	Impairment loss of assets		**4,717,927.86**	332,390.68
	Add: Investment income		**–**	–
II.	**Operating profit**		**70,818,040.15**	43,495,751.28
	Add: Non-operating income		**3,776,449.78**	853,353.20
	Less: Non-operating expenses		**850,510.05**	854,912.04
	Including: Loss on disposals of non-current assets		**79,820.71**	55,779.22
III.	**Profit before tax for the year**		**73,743,979.88**	43,494,192.44
	Less: Income tax expenses	*9*	**10,303,389.06**	5,628,574.88
IV.	**Net profit for the year**		**63,440,590.82**	37,865,617.56
	Net profit attributable to the equity holders of the Company		**63,440,590.82**	37,865,617.56
V.	**Earnings per share:**			
	(I) Basic earnings per share	*10*	**0.92**	0.59
	(II) Diluted earnings per share	*10*	**0.92**	0.59
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**63,440,590.82**	37,865,617.56
	Total comprehensive income attributable to the equity holders of the Company		**63,440,590.82**	37,865,617.56

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. Pursuant to the Listing, the Company offered a total of 16,670,000 new shares with a nominal value of RMB1.00 per share at the price of HK$13.88 per share to the public. The trading of H shares of the Company commenced on the Stock Exchange on 11 March 2015.

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 2016 continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of the Hong Kong Companies Ordinance.

The financial statements have been prepared in accordance with the Company's accounting policies which conform to 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 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 for the year ended 31 December 2016.

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 31 December 2016							
Carrying amount	Amount (RMB)	–	**74,183,612.62**	**74,183,612.62**	**74,183,612.62**	**3,110,800.74**	**77,294,413.36**
	Percentage (%)	–	**95.98**	**95.98**	**95.98**	**4.02**	**100.00**
Provision	Amount (RMB)	–	**6,489,309.76**	**6,489,309.76**	**6,489,309.76**	**2,333,100.56**	**8,822,410.32**
	Percentage (%)	–	**8.75**	**8.75**	**8.75**	**75.00**	**11.41**
Net amount		–	**67,694,302.86**	**67,694,302.86**	**67,694,302.86**	**777,700.18**	**68,472,003.04**

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 2016 Carrying amount Amount *RMB*	Percentage %	Provision *RMB*	As at 31 December 2015 Carrying amount Amount *RMB*	Percentage %	Provision *RMB*
Within 90 days	**25,346,536.70**	**34.17**	**760,396.10**	19,484,909.39	32.44	584,547.28
90 to 180 days	**8,312,411.66**	**11.21**	**249,372.35**	21,729,020.54	36.17	651,870.62
180 to 360 days	**18,575,578.46**	**25.04**	**557,267.35**	12,921,124.60	21.51	387,633.74
1 to 2 years	**16,583,688.10**	**22.35**	**1,326,695.05**	2,260,705.05	3.76	180,856.40
2 to 3 years	**1,844,166.34**	**2.49**	**368,833.27**	394,620.55	0.66	78,924.11
3 to 4 years	**392,213.05**	**0.53**	**196,106.53**	530,320.70	0.88	265,160.35
4 to 5 years	**491,896.00**	**0.66**	**393,516.80**	586,268.75	0.98	469,015.00
More than 5 years	**2,637,122.31**	**3.55**	**2,637,122.31**	2,166,195.56	3.60	2,166,195.56
Total	**74,183,612.62**	**100.00**	**6,489,309.76**	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 31 December 2016 *RMB*	As at 31 December 2015 *RMB*
Purchasing of materials	**18,638,372.75**	26,689,784.82
Purchasing of machinery and equipment	**391,728.53**	1,069,071.49
Total	**19,030,101.28**	27,758,856.31

Aging analysis of accounts payable is as follows:

Item	As at 31 December 2016 *RMB*	As at 31 December 2015 *RMB*
Within 1 year	**16,546,978.29**	27,385,278.32
1 to 2 years	**2,283,125.00**	99,232.50
2 to 3 years	**65,032.50**	232,869.29
More than 3 years	**134,965.49**	41,476.20
Total	**19,030,101.28**	27,758,856.31

4 SHARE CAPITAL

Name	As at 31 December 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 31 December 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 31 December 2016 *RMB*	As at 31 December 2015 *RMB*
Statutory surplus reserve	**23,774,980.13**	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 surplus reserve can be used to make up prior year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

7 RETAINED EARNINGS

Item	As at 31 December 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	**63,440,590.82**	37,865,617.56
Less: Transfer to statutory reserve fund	**(6,398,629.39)**	(3,805,376.99)
Dividend declared	**(6,086,995.20)**	(6,086,995.20)
Closing balances of the current year	**157,925,043.22**	106,970,076.99

8. REVENUE AND COST OF SALES

Item	Year ended 31 December 2016 RMB	2015 RMB
Revenue from principal operation	**207,926,096.34**	177,368,809.71
Revenue from other operations	**–**	–
Cost of sales	**48,261,494.80**	55,279,800.95

Revenue and cost of sales (classified by products)

Item	Year ended 31 December 2016 RMB	2015 RMB
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**207,926,096.34**	177,368,809.71
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**48,261,494.80**	55,279,800.95

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** **2016** *RMB*	2015 *RMB*
The PRC		
North	**57,865,107.87**	50,285,962.54
West	**28,789,795.15**	20,446,032.71
Central	**51,088,157.33**	48,046,433.69
East	**38,352,737.34**	27,900,455.85
South	**14,993,502.29**	14,253,259.68
	191,089,299.98	160,932,144.47
Other than the PRC	**16,836,796.36**	16,436,665.24
Total	**207,926,096.34**	177,368,809.71

9 INCOME TAX EXPENSES

Item	**Year ended 31 December** **2016** *RMB*	2015 *RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**10,748,845.97**	5,522,618.54
Deferred income tax	**(445,456.91)**	105,956.34
Total	**10,303,389.06**	5,628,574.88

Applicable tax rate

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

Item	Year ended 31 December 2016 RMB	2015 RMB
Profit before tax	**73,743,979.88**	43,494,192.44
Income tax expenses based on statutory/applicable tax rate	**11,061,596.98**	6,524,128.87
Effect of different tax rate applicable to subsidiaries	**(54,982.32)**	(19,433.25)
Effect of prior income tax reconciliation	**139,242.27**	6,407.51
Effect of non-deductible costs, expenses and losses	**95,316.38**	84,233.32
Effects on deductible research and development costs and others	**(1,071,119.95)**	(1,009,164.52)
Effect of deductible temporary differences or deductible losses not recognized in the current period	**133,335.70**	42,402.95
Income tax expenses	**10,303,389.06**	5,628,574.88

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

Calculation result

Item	Year ended 31 December 2016 RMB	2015 RMB
Earnings per share		
Net profit attributable to equity owners of the Company	**0.92**	0.59
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**0.92**	0.59

Calculation process of basic earnings per share

Item		Year ended 31 December 2016	2015
Net profit attributable to equity owners of the Company (RMB)	*A*	**63,440,590.82**	37,865,617.56
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*	**–**	9.00
Cumulated months after the increase of shares – Over-allotment Shares	*D2*	**–**	8.00
Number of months	*D3*	**–**	12.00
Weighted average number of ordinary shares outstanding	*E=B+C1*D1/D3+C2*D2/D3*	**69,170,400.00**	64,169,433.33
Basic earnings per share (RMB)	*F=A/E*	**0.92**	0.59

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, 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 significant events.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In recent years, the relevant policies or measures adopted at national level are becoming 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 of the People's Republic of China (the "**NHFPC**"). The orthopedic implant 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.

BUSINESS OVERVIEW

We are a reputable orthopedic medical device company in China which focuses on research and development, production and sales of implantable orthopedic medical devices, including 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 year ended 31 December 2016, we recorded a revenue of RMB207.9 million, representing an increase of 17.2% compared with that of the previous year (2015: RMB177.4 million). The gross profit was RMB159.7 million, representing an increase of 30.8% compared with that of the previous year (2015: RMB122.1 million). The profit attributable to equity holders of the Company was RMB63.4 million, representing an increase of 67.3% compared with that of the previous year (2015: RMB37.9 million). Basic earnings per share was RMB0.92, representing a year-on-year increase of 55.9% (2015: RMB0.59).

Optimizing product structure

Since 2016, the Company, in the aspects of product structure, has been striving to promote high-end products such as ceramic hip joint prosthesis and the new XN knee joint to distributors and doctors. The introduction and clinical application of high-end products can better enhance the Company's brand image and its position in the market, as well as increase the Company's gross profit margin, which was 76.8% during the year, representing an increase of eight percentage points compared with 68.8% of the previous year. Apart from optimizing the product structure, our factories have adopted single-step operation in its production, which has enhanced the production efficiency and contributed to the increase in gross profit margin.

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 2016, we held 16 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 6 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 has continued its effort in promoting the new XN knee joint, the ceramic joint prosthesis and DAMIS (Direct Anterior Minimally Invasive Surgery), a minimally invasive direct anterior surgical technology for hip joint. 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.

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 Arcam Q10 equipment purchased by the Group last year has been put into use in the first half of 2016. 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.

Product research and development

We are a state-level high-end 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. The Company's main direction for research and development includes the enhancement of existing products, the research and development of new products and the development of orthopedic-related products other than joint prosthesis and spinal products. Currently, the number of research and development projects undertaken with respect to such areas amounted to more than 40, and the projects have reached different stages of product research and development.

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.

FINANCIAL REVIEW

Revenue

Our revenue increased by 17.2% from approximately RMB177.4 million in 2015 to approximately RMB207.9 million in 2016. The increase in revenue was mainly attributable to the sales growth of standard joint and ceramic hip joint prosthesis products and the optimization of product structure and the enhancement of service standards. The revenue of our major products in 2016 compared to the previous year is as follows:

Product category	**Year ended 31 December**		**Increase over Corresponding period**
	2016	2015	
	(RMB'000)	*(RMB'000)*	
Standard joint	**172,343**	134,243	28.4%
Custom joint	**30,755**	30,028	2.4%
Spinal products	**4,828**	13,097	–63.1%
Total	**207,926**	177,368	17.2%

Gross profit

Our gross profit increased by 30.8% from approximately RMB122.1 million in 2015 to approximately RMB159.7 million in 2016. Our gross profit margin increased from 68.8% in 2015 to 76.8% in 2016, which was mainly attributable to our strengthened inventories management, the implementation of single-step operation which improves production efficiency, the optimization of product structure and our enhanced bargaining power with subcontractors.

Selling expenses

Our selling expenses increased by 15% from approximately RMB45.4 million in 2015 to approximately RMB52.2 million in 2016. The increase in selling expenses was mainly attributable to the increase in remuneration of sales personnel, and the increase in investment in market development and products promotion and the increase in professional academic promotion expenses resulted from business expansion.

Administrative expenses

Our administrative expenses decreased by 3.6% from approximately RMB36.5 million in 2015 to approximately RMB35.2 million in 2016, which was mainly attributable to the decrease in administrative personnel's travelling, transportation and office expenses and listing-related expenses.

Impairment loss of assets

Our impairment loss of assets increased by 1,466.7% from approximately RMB0.3 million in 2015 to approximately RMB4.7 million in 2016, which was mainly attributable to the sufficient impairment provision under accounting policies and the actual conditions of asset quality in accordance with the prudent asset impairment provision policy of the Company.

Non-operating income

Our non-operating income increased by 322.2% from approximately RMB0.9 million in 2015 to approximately RMB3.8 million in 2016, which was mainly attributable to the increase in the government grants received by the Company.

Non-operating expenses

Our non-operating expenses were approximately RMB0.9 million in 2015, equivalent to the expenses in 2016, which was mainly attributable to the our donation to the China Health Promotion Foundation.

Income tax expenses

Our income tax expenses increased by 83.9% from approximately RMB5.6 million in 2015 to approximately RMB10.3 million in 2016, which was mainly attributable to the increased profit from activities in 2016.

Net profit for the year

Our net profit for the year increased by 67.3% from approximately RMB37.9 million in 2015 to approximately RMB63.4 million in 2016. The increase in net profit was mainly attributable to the increase of approximately RMB37.6 million in our gross profit on sales.

Liquidity and capital resources

Our liquidity increased by 24.3% from approximately RMB239.1 million as at 31 December 2015 to approximately RMB297.3 million as at 31 December 2016.

Our principal sources of liquidity are 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 decreased by 7.7% from approximately RMB64.6 million as at 31 December 2015 to approximately RMB59.6 million as at 31 December 2016. In accordance with the accounting policies, a provision for inventory write-down amounting to approximately RMB 0.6 million was made in relation to the difference between the cost of inventories and the net realizable value. The inventories primarily consist of raw materials, products in process and goods on hand. The decrease in inventories was mainly attributable to a decrease in products in process and goods on hand.

Fixed Assets and Construction in Progress

Our fixed assets and construction in progress increased by 0.6% from approximately RMB61.9 million as at 31 December 2015 to approximately RMB62.3 million as at 31 December 2016. 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 2016.

Net current assets

Our net current assets increased by 16.2% from approximately RMB341.9 million as at 31 December 2015 to approximately RMB397.4 million as at 31 December 2016. The increase in net current assets was mainly attributable to the decrease in accounts payables and the increase in monetary capital generated from operations.

Intangible assets

Our intangible assets decreased by 1.7% from approximately RMB34.5 million as at 31 December 2015 to approximately RMB33.9 million as at 31 December 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 at 31 December 2016, our net cash inflows generated from operating activities was RMB65.0 million, which was mainly due to the cash received from the sales of goods; our net cash inflows generated in investing activities was RMB1.7 million, which was mainly due to the finance interest income; our net cash flows used in financing activities was RMB6.1 million, which was mainly due to the payment of dividends; and our cash and cash equivalents increased by RMB62.2 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 at 31 December 2016, we did not have any significant contingent liabilities or guarantees.

Capital commitment

As at 31 December 2016, our total capital commitment was approximately RMB413.4 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 at 31 December 2016, approximately RMB30.0 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:

Diversify our product series and develop advanced customised joint prosthesis products

We will continue to optimize and modify our existing products, and keep abreast of the technology development of the joint prosthesis sector and invest more resources in the research and development of new products. 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 generate higher profit margin.

Marketing Team

Our marketing team currently consists of over 100 people. It expands and maintains our customer base in all provinces in mainland China and overseas markets. To achieve greater market penetration, we would hire additional marketing staff to further develop our marketing team in each province and provide better services to local customers.

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 enhance our professional and technological knowledge 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 2016, our Group had a total of 391 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As at 31 December 2016, the total salary and related cost paid to our employees were approximately RMB38.2 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, labour 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 in 2016.

FINAL DIVIDEND

2016 final dividend

The Board proposed the declaration of final dividend of RMB0.155 per share (including tax charge) for the year ended 31 December 2016 (2015: 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 will be payable to the shareholders of H shares in Hong Kong Dollars. 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 of the Company. 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 year ended 31 December 2016, 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" (the "Model Code") contained in Appendix 10 to the Listing Rules 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 year ended 31 December 2016.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the Company's consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices applied.

These financial statements have been reviewed by Pan-China Certified Public Accountants LLP.

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).

The Company's 2016 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the Company's website and the HKExnews website of the Stock Exchange.

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

Beijing, the PRC, 31 March 2017

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