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 2017

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 2017. The results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the People's Republic of China ("**PRC**" or "**China**")'s Accounting Standards.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	*Notes*	As at 31 December 2017 *RMB*	As at 31 December 2016 *RMB*
Current assets:			
Cash and bank deposits		**371,618,428.62**	297,285,790.16
Notes receivable		**23,339,770.10**	12,207,859.40
Trade receivables	*2*	**73,655,994.73**	68,472,003.04
Prepayments		**1,618,077.61**	829,678.43
Interest payable		**–**	–
Other receivables		**915,826.53**	863,240.69
Inventories		**58,947,158.89**	59,591,366.45
Other current assets		**116,686.21**	176,195.81
Total current assets		**530,211,942.69**	439,426,133.98
Non-current assets:			
Fixed assets		**47,580,889.11**	51,074,794.44
Construction in progress		**13,193,700.06**	11,284,911.93
Intangible assets		**33,126,892.76**	33,892,975.08
Long-term deferred expenses		**1,008,333.35**	–
Deferred tax assets		**2,699,036.67**	1,471,457.51
Other non-current assets		**5,840,781.71**	2,978,555.00
Total non-current assets		**103,449,633.66**	100,702,693.96
Total assets		**633,661,576.35**	540,128,827.94
Current liabilities:			
Trade payables	*3*	**25,316,462.14**	19,030,101.28
Receipts in advance		**15,891,150.69**	4,953,824.06
Employee benefits payable		**4,503,817.95**	2,989,533.99
Taxes payable		**14,285,556.35**	8,741,879.96
Dividends payable		**–**	–
Other payables		**17,621,821.89**	6,276,448.83
Total current liabilities		**77,618,809.02**	41,991,788.12
Non-current liabilities:			
Estimated liabilities		**1,994,981.90**	–
Deferred income		**14,822,497.59**	16,805,269.13
Deferred tax liabilities		**753,109.62**	422,167.33
Total non-current liabilities		**17,570,589.11**	17,227,436.46
Total liabilities		**95,189,398.13**	59,219,224.58

Item	*Notes*	**As at 31 December 2017** ***RMB***	As at 31 December 2016 *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*	**30,599,186.14**	23,774,980.13
Retained earnings	*7*	**208,663,412.07**	157,925,043.22
Total shareholders' equity		**538,472,178.22**	480,909,603.36
Total liabilities and shareholders' equity		**633,661,576.35**	540,128,827.94
Net current assets		**452,593,133.67**	397,434,345.86
Total assets less current liabilities		**556,042,767.33**	498,137,039.82

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Year ended 31 December 2017 RMB	2016 RMB
I.	**Revenue**	8	**300,317,298.79**	207,926,096.34
	Less: Cost of sales	8	**84,062,884.30**	48,261,494.80
	Taxes and levies		**4,098,588.47**	2,545,293.61
	Selling expenses		**88,947,859.28**	52,228,116.53
	Administrative expenses		**44,328,265.40**	35,190,372.34
	Finance expenses		**(4,144,972.53)**	(5,835,148.95)
	Impairment loss of assets		**6,175,226.90**	4,717,927.86
	Add: Investment income		**–**	–
	Asset disposal income		**–**	(4,903.5)
	Other income		**2,131,772.05**	–
II.	**Operating profit**		**78,981,219.02**	70,813,136.65
	Add: Non-operating income		**31,723.78**	3,776,449.78
	Less: Non-operating expenses		**217,295.57**	845,606.55
	Including:			
	Loss on disposals of non-current assets		**–**	74,917.21
III.	**Profit before tax for the year**		**78,795,647.23**	73,743,979.88
	Less: Income tax expenses	9	**10,511,660.37**	10,303,389.06
IV.	**Net profit for the year**		**68,283,986.86**	63,440,590.82
	Net profit attributable to the equity holders of the Company		**68,283,986.86**	63,440,590.82
V.	**Earnings per share:**			
	(I) Basic earnings per share	10	**0.99**	0.92
	(II) Diluted earnings per share	10	**0.99**	0.92
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**68,283,986.86**	63,440,590.82
	Total comprehensive income attributable to the equity holders of the Company		**68,283,986.86**	63,440,590.82

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 2017 continued to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of the Hong Kong Companies Ordinance.

The financial statements have been prepared in accordance with the Company's accounting policies which conform to China Accounting Standards for Business Enterprises ("**ASBE**") issued by the Ministry of Finance of the PRC ("**MOF**"), the related specific standards, the Accounting Standards for Business Enterprises Application Guidance, China Accounting Standards for Business Enterprises Bulletins and other relevant regulations (hereinafter referred to as "**China Accounting Standards for Business Enterprises**", "**CASBE**").

In preparing the financial statements of the Company for the year ended 31 December 2017, 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 2017 and for the year ended 31 December 2017.

- ASBE No. 42, "Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation"
- ASBE No. 16 "Government Grants" (Revised)

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

2 TRADE RECEIVABLE

Categories of trade 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 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	75.0	11.41
Net amount		–	67,694,302.86	67,694,302.86	67,694,302.86	777,700.18	68,472,003.04
As at 31 December 2017							
Carrying amount	Amount (RMB)	–	**84,458,114.03**	**84,458,114.03**	**84,458,114.03**	**876,752.69**	**85,334,866.72**
	Percentage (%)	–	**98.97**	**98.97**	**98.97**	**1.03**	**100.00**
Provision	Amount (RMB)	–	**11,021,307.47**	**11,021,307.47**	**11,021,307.47**	**657,564.52**	**11,678,871.99**
	Percentage (%)	–	**13.05**	**13.05**	**13.05**	**75.00**	**13.69**
Net amount		–	**73,436,806.56**	**73,436,806.56**	**73,436,806.56**	**219,188.17**	**73,655,994.73**

Grouping of trade 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 2017**			As at 31 December 2016		
	Carrying amount		**Provision**	Carrying amount		Provision
	Amount	**Percentage**		Amount	Percentage	
	RMB	***%***	***RMB***	*RMB*	*%*	*RMB*
Within 1 year	**64,718,290.70**	**76.63**	**3,235,914.54**	52,234,526.82	70.42	1,567,035.80
1-2 years	**11,316,833.33**	**13.40**	**1,697,525.00**	16,583,688.10	22.35	1,326,695.05
2-3years	**4,670,244.15**	**5.53**	**2,335,122.08**	1,844,166.34	2.49	368,833.27
More than 3 years	**3,752,745.85**	**4.44**	**3,752,745.85**	3,521,231.36	4.74	3,226,745.64
Total	**84,458,114.03**	**100.00**	**11,021,307.47**	74,183,612.62	100.00	6,489,309.76

3 TRADE PAYABLE

Item	**As at 31 December 2017** ***RMB***	As at 31 December 2016 *RMB*
Purchasing of materials	**25,032,183.14**	18,638,372.75
Purchasing of machinery and equipment	**284,279.00**	391,728.53
Total	**25,316,462.14**	19,030,101.28

Aging analysis of trade payable is as follows:

Item	**As at 31 December 2017** ***RMB***	As at 31 December 2016 *RMB*
Within 1 year	**24,199,043.00**	16,546,978.29
1 to 2 years	**630,217.59**	2,283,125.00
2 to 3 years	**296,603.56**	65,032.50
More than 3 years	**190,597.99**	134,965.49
Total	**25,316,462.14**	19,030,101.28

4 SHARE CAPITAL

Name	**As at 31 December 2017** *RMB*	As at 31 December 2016 *RMB*
Mr. Shi Chunbao	**24,237,087.00**	24,237,087.00
Ms. Yue Shujun	**19,589,580.00**	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	**506,667.00**	666,667.00
Mr. He Rongmei	**–**	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 2017** *RMB*	As at 31 December 2016 *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 2017** *RMB*	As at 31 December 2016 *RMB*
Statutory surplus reserve	**30,599,186.14**	23,774,980.13

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 2017 *RMB*	As at 31 December 2016 *RMB*
Closing balance of the preceding year	**157,925,043.22**	106,970,076.99
Opening balances of the current year	**157,925,043.22**	106,970,076.99
Add: Net profit attributable to equity owners of the Company	**68,283,986.86**	63,440,590.82
Less: Transfer to statutory reserve fund	**6,824,206.01**	6,398,629.39
Dividend declared	**10,721,412.00**	6,086,995.20
Closing balances of the current year	**208,663,412.07**	157,925,043.22

Pursuant to the resolution passed at the meeting of the Board of Directors held on 31 March 2017 and the resolution passed at the general meeting of the shareholders for the year ended 31 December 2016 held on 28 June 2017, a final dividend in respect of the year ended 31 December 2016 of RMB0.155 per share (including tax charge), amounting to RMB10,721,412.00 was declared.

8. REVENUE AND COST OF SALES

Item	Year ended 31 December 2017 *RMB*	2016 *RMB*
Revenue from principal operation	**300,317,298.79**	207,926,096.34
Revenue from other operations	**–**	–
Cost of sales	**84,062,884.30**	48,261,494.80

Revenue and cost of sales (classified by products)

Item	Year ended 31 December 2017 *RMB*	2016 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**300,317,298.79**	207,926,096.34
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**84,062,884.30**	48,261,494.80

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**	
	2017	2016
	RMB	*RMB*
The PRC		
North	**98,084,164.91**	57,865,107.87
West	**39,182,063.34**	28,789,795.15
Central	**63,604,680.15**	51,088,157.33
East	**51,042,386.04**	38,352,737.34
South	**31,243,294.42**	14,993,502.29
	283,156,588.87	191,089,299.98
Other than the PRC	**17,160,709.92**	16,836,796.36
Total	**300,317,298.79**	207,926,096.34

9 INCOME TAX EXPENSES

Item	**Year ended 31 December**	
	2017	2016
	RMB	*RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**11,408,297.24**	10,748,845.97
Deferred income tax	**(896,636.87)**	(445,456.91)
Total	**10,511,660.37**	10,303,389.06

Applicable tax rate

Item	**Year ended 31 December**	
	2017	2016
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 2017 RMB	2016 RMB
Profit before tax	**78,795,647.23**	73,743,979.88
Income tax expenses based on statutory/applicable tax rate	**11,819,347.08**	11,061,596.98
Effect of different tax rate applicable to subsidiaries	**3,680.72**	(54,982.32)
Effect of prior income tax reconciliation	**136,021.63**	139,242.27
Effect of non-deductible costs, expenses and losses	**158,152.35**	95,316.38
Effects on deductible research and development costs and others	**(1,591,220.04)**	(1,071,119.95)
Effect of using the deductible loss of previously unrecognized deferred income tax assets	**(14,321.37)**	–
Effect of deducible temporary differences or deducible losses not recognized in the current period	**–**	133,335.70
Income tax expenses	**10,511,660.37**	10,303,389.06

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

Calculation result

Item	Year ended 31 December 2017 RMB	2016 RMB
Earnings per share		
Net profit attributable to equity owners of the Company	**0.99**	0.92
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**0.99**	0.92

Calculation process of basic earnings per share

Item		Year ended 31 December 2017	2016
Net profit attributable to equity owners of the Company (RMB)	*A*	**68,283,986.86**	63,440,590.82
Number of shares at beginning of the year	*B*	**69,170,400.00**	69,170,400.00
Number of shares issued – Offer Shares	*C1*	**–**	–
Number of shares issued – Over-allotment Shares	*C2*	**–**	–
Number of shares at closing of the period	*C3*	**–**	–
Cumulated months after the increase of shares – Offer Shares	*D1*	**–**	–
Cumulated months after the increase of shares – Over-allotment Shares	*D2*	**–**	–
Number of months `	*D3*	**–**	–
Weighted average number of ordinary shares outstanding	*E=B+C1*D1/D3+C2*D2/D3*	**69,170,400.00**	69,170,400.00
Basic earnings per share (RMB)	*F=A/E*	**0.99**	0.92

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 gradually benefit 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**"). With the gradual increase in volume and proportion of usage of domestic artificial joints in hospitals in the PRC, the sales of domestic artificial joint products in China have been further driven.

BUSINESS OVERVIEW

Comprehensive medical device registration certificates

According to the domestic joint prosthesis 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 holds 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 2017, we held 16 medical device registration certificates in China for the production of medical devices (which cover our 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 manufacturing enterprises, the possession of comprehensive product registration certificates is the key factor for enterprises to be more competitive in the market.

Diversified product portfolio

Being one of the earliest domestic enterprises in China to engage in research and development as well as production of joint prosthesis products, we have established a broad portfolio comprising various joint prosthesis products and spinal products. Our joint prosthesis products cover four major joints of human bodies (namely hip, knee, shoulder and elbow) while our spinal products comprise a full-range product portfolio of spinal fixation systems, including fixation systems in anterior and posterior cervical, thoracic and lumbar vertebrae. In addition, our joint prosthesis products are also divided into standard joint prosthesis products and custom joint prosthesis products. The standard joint prosthesis products mainly include hip joint prosthesis products and knee joint prosthesis products, while the custom joint prosthesis products are also divided into two categories, namely conventional custom joint prosthesis products and custom (modular) joint prosthesis products. The custom joint prosthesis products are applicable to the four major joints of human bodies, and are specifically designed and produced to cater for clinical needs.

Strong research and development capabilities

We are a state-level high and new technology enterprise (國家級高新技術企業) and are capable of developing innovative products and continuous improving our research and development. Currently, our research and development team consists of members including professionals who possess Master's degree, Bachelor's degrees with over 10 years of know-hows and experiences. Meanwhile, the Company attaches great importance to the combination of production, academics, research and development and clinical studies while conducting research and development. During the course of our research and development of new products and product improvement, we obtained advice from experts in relevant fields and interacted with experts, thereby ensuring that those products under research and development will meet the market demands and fulfill the requirement of clinical practicality.

The Company was named the "Beijing Engineering Laboratory of Joint Prosthesis" (人工關節北京市工程實驗室) by Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會). The laboratory will take up major research and development projects of the PRC and Beijing, and will actively participate in science popularization campaigns throughout the PRC and in Beijing.

Advanced ceramic joint prosthesis products

In April 2015, the Company became the first enterprise in China to obtain a medical device registration certificate for the fourth generation of BIOLOX®delta ceramic joint prosthesis products, covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. BIOLOX®delta, being the latest ceramic product of CeramTec, which is a German company, 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 joint prosthesis products to the market, we held numerous interactive activities such as academic conferences, doctor training sessions and distributor training sessions across the PRC, so that our clients (including doctors and distributors) are able to familiarize with the usage of our ceramic products.

As the tender offerings, re-tenderings or registrations with hospitals for our ceramic joint prosthesis products in various provinces proceed gradually, there will be more hospitals in China using the Company's ceramic joints prosthesis products.

New products and new technologies

The Company has continued to promote DAMIS (Direct Anterior Minimally Invasive Surgery) and has yielded significant results, which in turn stimulated the sales of our minimal invasive products. The training centres for DAMIS have been set up in numerous hospitals across the PRC and a national project called "DAMIS Thousand Talents Program" has been launched to provide training for the application of DAMIS techniques in the next three years to a thousand doctors, who specialised in joint-related surgeries.

During the reporting period, the Company is devoted to the continuous promotion of medium-to-high-end products, such as the new XN series knee joint and ceramic joint prothesis products, the growth of which contributed to the sales amount and enhanced the Company's brand as a whole.

Custom joint prosthesis product series

The Group's custom (modular) joint prosthesis products for patients suffering from bone tumors and comminuted fractures are one of the Group's products with higher competitiveness, which account for nearly half of the market share in terms of the domestic market in tumor-related joint prosthesis products.

Meanwhile, the Company has been designing and developing customized and personalized prosthesis which has been applied for clinical purposes. Along with the 3D-printed products, joint prosthesis products can be tailored for individual patients, including but not limited to those who suffer from bone defects, bony deformities and those who have special need. This would further expand the coverage and market of the Group's customized products.

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 32 countries and regions 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 44.4% from approximately RMB207.9 million for the year ended 2016 to approximately RMB300.3 million for the year ended 2017. The growth in revenue was mainly attributable to the growth in sales of our joint prosthesis products and spinal products. The revenue of our major products compared with that of the previous year is as follows:

Product category	**Year ended 31 December**		**Growth over corresponding period**
	2017	2016	
	(RMB'000)	*(RMB'000)*	
Standard joint prosthesis products	**257,128**	172,343	49.2%
Custom joint prosthesis products	**35,776**	30,755	16.3%
Spinal products	**7,413**	4,828	53.5%
Total	**300,317**	207,926	44.4%

Joint prosthesis products

Standard joint prosthesis products increased by 49.2% from approximately RMB172.3 million for the year ended 2016 to approximately RMB257.1 million for the year ended 2017, of which primary high-end products, such as ceramic joint prosthesis products, XN series knee joint prosthesis products and minimal invasive hip joint prosthesis products, achieved a fast growth in the industry.

We are the first enterprise in China to obtain a medical device registration certificate for the fourth generation of ceramic joint covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. As the tender offerings, re-tenderings or registrations with hospitals for our ceramic joint prosthesis products in various provinces proceed gradually, the proportion of ceramic joint prosthesis products within the product portfolio in terms of sales volume has growth rapidly in 2017.

In addition, the Company is the first and the sole domestic enterprise to introduce advanced minimal invasive techniques from Europe in relation to DAMIS (Direct Anterior Minimally Invasive Surgery) products and techniques. The Company also put a lot of efforts into the promotion and application of DAMIS products and techniques, which in turn drove the increase in sales volume of minimal invasion related products, of which minimal invasive hip joint products recorded growth of over 100% as compared to the same period last year.

Gross profits

Our gross profit increased by 35.4% from approximately RMB159.7 million for the year ended 2016 to approximately RMB216.3 million for the year ended 2017, which was mainly attributable to the increase in sales of primary joint prosthesis products such as custom joint prosthesis products, ceramic joint prosthesis products and XN knee joint prosthesis products, which are medium-to-high-end products with relatively higher unit prices.

Our gross profit margin decreased from 76.8% for the year ended 2016 to 72.0% for the year ended 2017, which was mainly attributable to the adoption of advanced spraying techniques, materials and craftsmanship from foreign countries, while engaging renowned factory owners overseas to produce quality joint prosthesis products with higher competitiveness.

Selling expenses

Our selling expenses increased from approximately RMB52.2 million for the year ended 2016 to approximately RMB88.9 million for the year ended 2017. The increase in selling expenses was mainly attributable to the hierarchical diagnosis policy introduced by the PRC government, which led to a sharp increase in patients undergoing surgeries and diagnoses in low-ranked hospitals. As a result, we recruited more sales staff to offer training sessions and orientations regarding clinical surgeries on joints and spines for doctors from hospitals in provinces, prefecture-level cities and counties; we also organized academic exchanges for renowned orthopedic surgeons from across the country, clinical trainings for surgeries as well as publicity, promotion and trainings with respect to new products.

Administrative expenses

Our administrative expenses increased by 25.9% from approximately RMB35.2 million for the year ended 2016 to approximately RMB44.3 million for the year ended 2017, which was primarily due to the increased number of staffs for research and development, the engagement of domestic and foreign experts to improve our Chinese skeleton database (中國國民骨骼數據庫) through clinical trials, and the research and development of new products compatible with physical conditions of the domestic population. Meanwhile, significant progress was achieved for sample production of new products, clinical testings, product registrations, etc.

Impairment loss of assets

Our impairment loss of assets increased by 31.9% from approximately RMB4.7 million for the year ended 2016 to approximately RMB6.2 million for the year ended 2017, which was mainly attributable to the increase in impairment losses of our trade receivable and inventory in accordance with the impairment policy of the Company.

Non-operating income

Our non-operating income decreased by 99.8% from approximately RMB3.8 million for the year ended 2016 to approximately RMB0.03 million for the year ended 2017, which was mainly attributable to the decrease in income from the government grants in connection with daily activities to be included in "Other Gains" under the Accounting Standards for Business Enterprises No. 16 "Government Grants" (Amended).

Income tax expenses

Our income tax expenses increased by 1.9% from approximately RMB10.3 million for the year ended 2016 to approximately RMB10.5 million for the year ended 2017, which was mainly attributable to the increase in profits from operations in 2017.

Net profit for the year

Our net profit for the year increased by 7.7% from approximately RMB63.4 million for the year ended 2016 to approximately RMB68.3 million for the year ended 2017. The increase in net profit was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity increased by 25.0% from approximately RMB297.3 million for the year ended 2016 to approximately RMB371.6 million for the year ended 2017, which was mainly attributable to the increase in proceeds from the sales of orthopedic implant products.

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 management and meet our foreseeable capital expenditure demands.

Inventory

Our inventory decreased by 1.2% from approximately RMB59.6 million for the year ended 2016 to approximately RMB58.9 million for the year ended 2017, which was mainly attributable to the optimization of inventory management in 2017.

Fixed Assets and Construction in Progress

Our fixed assets and construction in progress decreased by 2.4% from approximately RMB62.3 million for the year ended 31 December 2016 to approximately RMB60.8 million for the year ended 31 December 2017, which was mainly attributable to the increase in accrued depreciation of fixed assets.

Net current assets

Our net current assets increased by 13.9% from approximately RMB397.4 million for the year ended 31 December 2016 to approximately RMB452.6 million for the year ended 31 December 2017. The increase in net current assets was mainly attributable to our strict control management of credit term and the increase in sales rebates.

Intangible assets

Our intangible assets decreased by 2.4% from approximately RMB33.9 million for the year ended 31 December 2016 to approximately RMB33.1 million for the year ended 31 December 2017. 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 2017, our net cash inflows generated from operating activities was RMB89.8 million, which was mainly due to the sales of goods; our net cash outflows generated from investing activities was RMB3.5 million, which was mainly due to the acquisition of fixed assets and construction in progress; our net cash outflows from financing activities was RMB10.7 million, which was mainly due to the payment of dividends; and our cash and cash equivalents increased by RMB74.3 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 2017, we did not have any significant contingent liabilities or guarantees.

Capital commitment

As at 31 December 2017, our total capital commitment was approximately RMB408 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 continuously 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 2017, approximately RMB34.8 million out of the proceeds from the global offering has been used by the Company, of which approximately RMB7.4 million was used for the first-instalment expense for the development of Daxing New Production Base; approximately RMB0.8 million was used for research and development activities; approximately RMB7.6 million was used for expansion of our existing marketing and distribution network, in order to enhance our market penetration with coverage of more distributors and hospitals for increment of market share; and approximately RMB19.0 million was used for working capital and other general corporate purposes.

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 for 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:

Diversification of our product portfolio and development of advanced customized 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. In order to build a more comprehensive product portfolio and to achieve product diversification, we will develop more products catering for patients' needs through the application of new materials and the improvement of production processes. 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.

Strengthening our innovation ability and increasing research and development resources

In the future, we shall continue to 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 Chinese 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.

EMPLOYEE

As at 31 December 2017, our Group had approximately a total of 472 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 2017, the total salary and related cost paid to our employees were approximately RMB45.3 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 for the year ended 31 December 2017.

FINAL DIVIDEND

2017 final dividend

The Board proposed the declaration of final dividend of RMB0.231 per share (including tax charge) for the year ended 31 December 2017 (2016: RMB0.155 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, with the applicable exchange rate being the average mid-point rate of the relevant foreign currencies published by the People's Bank of China on its website for the period of seven working days immediately prior to the date of the declaration of dividend and other payments. An additional announcement regarding the dates of the annual general meeting, closure of registration of members as well as the dividend payments will be issued by our Company as soon as practicable.

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, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code during the year.

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 throughout the year ended 31 December 2017.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed our Company's consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices.

These financial statements have been audited 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 2017 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, 28 March 2018

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 Mr. Ge Changyin, Mr. Tong Xiaobo and Mr. Ho Wai Ip.

* *For identification purposes only*