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北京市春立正達醫療器械股份有限公司

Beijing Chunlizhengda Medical Instruments Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1858)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Beijing Chunlizhengda Medical Instruments Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018. 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 30 June 2018** *RMB*	As at 31 December 2017 *RMB*
Current assets:			
Monetary funds		**389,017,028.85**	371,618,428.62
Held-for-trading financial assets		**–**	–
Derivative financial assets		**–**	–
Notes receivable and accounts receivable	*2*	**110,141,878.24**	96,995,764.83
Prepayment		**4,379,469.16**	1,618,077.61
Other receivables		**2,147,397.56**	915,826.53
Inventories		**87,735,447.49**	58,947,158.89
Assets held-for-sale		**–**	–
Non-current assets due within one year		**–**	–
Other current assets		**26,940.72**	116,686.21
Total current assets		**593,448,162.02**	530,211,942.69
Non-current assets:			
Available-for-sale financial assets		**–**	–
Held-to-maturity investments		**–**	–
Long-term receivable		**–**	–
Long-term equity investments		**–**	–
Investment property		**–**	–
Fixed assets		**51,123,289.84**	47,580,889.11
Construction in progress		**13,294,095.25**	13,193,700.06
Productive biological assets		**–**	–
Oil & gas assets		**–**	–
Intangible assets		**33,384,710.15**	33,126,892.76
Development expenditures		**–**	–
Goodwill		**–**	–
Long-term prepayments		**898,333.37**	1,008,333.35
Deferred tax assets		**5,239,334.59**	2,699,036.67
Other non-current assets		**17,478,412.22**	5,840,781.71
Total non-current assets		**121,418,175.42**	103,449,633.66
Total assets		**714,866,337.44**	633,661,576.35

Item	Notes	**As at 30 June 2018** *RMB*	As at 31 December 2017 *RMB*
Current liabilities:			
Short-term borrowings		**–**	–
Held-for-trading financial liabilities		**–**	–
Derivative financial liabilities		**–**	–
Notes payable and account payable	*3*	**45,004,755.60**	25,316,462.14
Advances received		**14,803,557.58**	15,891,150.69
Employee benefits payable		**4,927,133.51**	4,503,817.95
Taxes payable		**8,224,551.55**	14,285,556.35
Other payables		**36,872,412.58**	17,621,821.89
Liabilities held-for-sale		**–**	–
Non-current liabilities due within one year		**–**	–
Other current liabilities		**–**	–
Total current liabilities		**109,832,410.82**	77,618,809.02
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred shares		**–**	–
Perpetual bonds		**–**	–
Long-term payables		**–**	–
Estimated liabilities		**17,565,819.57**	1,994,981.90
Deferred income		**13,642,707.43**	14,822,497.59
Deferred tax liabilities		**926,111.00**	753,109.62
Other non-current liabilities		**–**	–
Total non-current liabilities		**32,134,638.00**	17,570,589.11
Total liabilities		**141,967,048.82**	95,189,398.13

Item	Notes	**As at 30 June 2018** *RMB*	As at 31 December 2017 *RMB*
Shareholders' equity:			
Share capital	*4*	**69,170,400.00**	69,170,400.00
Other equity instruments		**–**	–
Including: Preferred shares		**–**	–
Perpetual bonds		**–**	–
Capital reserve	*5*	**230,039,180.01**	230,039,180.01
Less: treasury shares		**–**	–
Other comprehensive income		**–**	–
Surplus reserve	*6*	**30,599,186.14**	30,599,186.14
Retained earnings	*7*	**243,090,522.47**	208,663,412.07
Total shareholders' equity		**572,899,288.62**	538,472,178.22
Total liabilities and shareholders' equity		**714,866,337.44**	633,661,576.35
Net current assets		**483,615,751.20**	452,593,133.67
Total assets less current liabilities		**605,033,926.62**	556,042,767.33

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Six months ended 30 June 2018 RMB	2017 RMB
I.	**Revenue**	*8*	**213,143,115.11**	124,239,007.80
	Less: Cost of sales	*8*	**77,407,318.17**	30,892,188.66
	Taxes and levies		**2,242,506.08**	1,929,050.54
	Selling expenses		**59,633,287.38**	31,870,159.27
	Administrative expenses		**12,654,304.58**	12,076,000.76
	Research and development expenses		**9,002,247.76**	9,757,400.60
	Finance expenses		**(5,065,233.10)**	(2,952,425.05)
	Including: Interest expenses		**–**	–
	Interest proceeds		**(2,828,088.81)**	(3,668,902,84)
	Impairment loss of assets		**1,323,175.85**	424,148.53
	Add: Investment income		**–**	–
	Other gains		**1,594,767.16**	875,825.00
II.	**Operating profit**		**57,540,275.55**	41,118,309.49
	Add: Non-operating income		**–**	100,000.00
	Less: Non-operating expenses		**200.00**	1,700.00
	Including: Loss on disposals of non-current assets		**–**	–
III.	**Profit before tax for the year**		**57,540,075.55**	41,216,609.49
	Less: Income tax expenses	*9*	**7,134,602.75**	5,781,231.74
IV.	**Net profit**		**50,405,472.80**	35,435,377.75
	Net profit attributable to the equity holders of the Company		**50,405,472.80**	35,435,377.75
V.	**Earnings per share:**			
	(I) Basic earnings per share	*10*	**0.73**	0.51
	(II) Diluted earnings per share	*10*	**0.73**	0.51
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**50,405,472.80**	35,435,377.75
	Total comprehensive income attributable to the equity holders of the Company		**50,405,472.80**	35,435,377.75

NOTES:

1 GENERAL

History and development

Beijing Chunlizhengda Medical Instruments Co., Ltd.* (hereinafter referred to as the "**Company**") was established 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. 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 six months ended 30 June 2018 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 (the "**ASBE**") issued by the Ministry of Finance of the PRC (the "**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 the "China Accounting Standards for Business Enterprises", the "**CASBE**").

In preparing the financial statements of the Company for the six months ended 30 June 2018, the Group has adopted all of the new and revised CASBE issued by the MOF that are effective for the six months ended 30 June 2018.

- ASBE No. 14 *"Revenue" (Amended)*

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 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
As at 30 June 2018							
Carrying amount	Amount (RMB)	–	89,648,178.31	89,648,178.31	89,648,178.31	984,906.69	90,633,085.00
	Percentage (%)	–	98.91	98.91	98.91	1.09	100.00
Provision	Amount (RMB)	–	10,588,276.22	10,588,276.22	10,588,276.22	738,680.02	11,326,956.24
	Percentage (%)	–	11.68	11.68	11.68	75.00	12.50
Net amount		–	79,059,902.09	79,059,902.09	79,059,902.09	246,226.67	79,306,128.76

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 2018** **Carrying amount** **Amount** *RMB*	**Percentage** *%*	**Provision** *RMB*	As at 31 December 2017 Carrying amount Amount *RMB*	Percentage *%*	Provision *RMB*
Within one year	**73,824,740.47**	**82.35**	**3,691,237.02**	64,718,290.70	76.63	3,235,914.54
1 to 2 years	**8,815,189.66**	**9.83**	**1,322,278.45**	11,316,833.33	13.40	1,697,525.00
2 to 3 years	**2,866,974.87**	**3.20**	**1,433,487.44**	4,670,244.15	5.53	2,335,122.08
More than 3 years	**4,141,273.31**	**4.62**	**4,141,273.31**	3,752,745.85	4.44	3,752,745.85
Total	**89,648,178.31**	**100.00**	**10,588,276.22**	84,458,114.03	100.00	11,021,307.47

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 2018** *RMB*	As at 31 December 2017 *RMB*
Purchasing of materials	**44,493,789.23**	25,032,183.14
Purchasing of machinery and equipment	**510,966.37**	284,279.00
Total	**45,004,755.60**	25,316,462.14

Aging analysis of accounts payable is as follows:

Item	**As at 30 June 2018** *RMB*	As at 31 December 2017 *RMB*
Within 1 year	**43,733,805.66**	24,199,043.00
1 to 2 years	**719,546.95**	630,217.59
2 to 3 years	**134,280.00**	296,603.56
More than 3 years	**417,122.99**	190,597.99
Total	**45,004,755.60**	25,316,462.14

4 SHARE CAPITAL

Name	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Mr. Shi Chunbao	**24,237,087.00**	24,237,087.00
Ms. Yue Shujun	**19,589,580.00**	19,589,580.00
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**	506,667.00
Mr. Ni Xuezhen	**400,000.00**	400,000.00
Mr. 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 2018 *RMB*	As at 31 December 2017 *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 2018 *RMB*	As at 31 December 2017 *RMB*
Statutory surplus reserve	**30,599,186.14**	30,599,186.14

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 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Closing balances of the preceding year	**208,663,412.07**	157,925,043.22
Opening balances of the current period/year	**208,663,412.07**	157,925,043.22
Add: Net profit attributable to equity owners of the Company	**50,405,472.80**	68,283,986.86
Less: Transfer to statutory reserve fund	**–**	6,824,206.01
Dividend declared	**15,978,362.40**	10,721,412.00
Closing balances of the current period/year	**243,090,522.47**	208,663,412.07

Pursuant to the resolution passed at the meeting of the Board of Directors held on 28 March 2018 and the resolution passed at the general meeting of the shareholders for the year ended 31 December 2017 held on 28 June 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.231 per share (including tax charge), amounting to RMB15,978,362.40 was declared.

8 REVENUE AND COST OF SALES

Item	Six months ended 30 June 2018 *RMB*	2017 *RMB*
Revenue from principal operation	**213,141,160.11**	124,239,007.80
Revenue from other operations	**1,955.00**	–
Cost of sales	**76,297,339.85**	30,892,188.66

Revenue and cost of sales (classified by products)

Item	Six months ended 30 June 2018 *RMB*	2017 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**213,141,160.11**	124,239,007.80
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**76,297,339.85**	30,892,188.66

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** **2018** ***RMB***	2017 *RMB*
The PRC		
North	**75,810,307.74**	33,804,572.07
West	**28,070,573.23**	17,977,071.79
Central	**46,366,679.14**	28,511,919.26
East	**37,766,771.97**	22,895,139.05
South	**20,058,215.70**	13,688,052.93
	208,072,547.78	116,876,755.10
Other than the PRC	**5,068,612.33**	7,362,252.70
Total	**213,141,160.11**	124,239,007.80

9 INCOME TAX EXPENSES

Item	**Six months ended 30 June** **2018** ***RMB***	2017 *RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**9,501,899.29**	5,685,841.46
Deferred income tax	**(2,367,296.54)**	95,390.28
Total	**7,134,602.75**	5,781,231.74

Applicable tax rate

Item	**Six months ended 30 June** **2018**	2017
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	Six months ended 30 June 2018 *RMB*	2017 *RMB*
Profit before tax	**57,540,075.55**	41,216,609.49
Income tax expenses based on statutory/applicable tax rate	**8,631,011.34**	6,182,491.42
Effect of different tax rate applicable to subsidiaries	**59,859.06**	(24,145.75)
Effect of prior income tax reconciliation	**(208,809.96)**	136,021.63
Effect of non-deductible costs, expenses and losses	**142,482.42**	56,968.83
Effects on deductible research and development costs and others	**(1,324,802.69)**	(628,680.04)
Effect of using the deductible loss of previously unrecognized deferred income tax assets	**(165,137.42)**	–
Effect of deductible temporary differences or deductible losses not recognized in the current period	**–**	58,575.65
Income tax expenses	**7,134,602.75**	5,781,231.74

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

Calculation result

Item	Six months ended 30 June 2018 *RMB*	2017 *RMB*
Earnings per share		
Net profit attributable to equity owners of the Company	**0.73**	0.51
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**0.73**	0.51

Calculation process of basic earnings per share

Item		Six months ended 30 June 2018	2017
Net profit attributable to equity owners of the Company (RMB)	*A*	**50,405,472.80**	35,435,377.75
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*	**0.73**	0.51

Calculation process of diluted earnings per share

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

11 SEGMENT INFORMATION

The Group is mainly engaged in the manufacturing 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. the manufacturing 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 the PRC. The domestic medical device enterprises will eventually 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 PRC (the "**NHFPC**").

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

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

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 the PRC in terms of number and types of certificates.

As at 30 June 2018, we held 16 medical device registration certificates in the PRC 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 the PRC adopts a strict product registration system for medical devices manufacturers, enterprises with complete product registrations are more competitive in the market.

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.

FINANCIAL REVIEW

Revenue

Our revenue increased by 71.6% from approximately RMB124.2 million for the six months ended 30 June 2017 to approximately RMB213.1 million for the six months ended 30 June 2018, which was mainly attributable to the sales growth of joint implant and spinal implant and the expansion of sales network. The growth of spinal products increased to approximately RMB3.7 million as of 30 June 2018, mainly driven by the sales to new customers and existing customers. The revenue of our major products as compared with that of the previous year is as follows:

Product category

	Six months ended 30 June		Increase over corresponding period
	2018	2017	
	(RMB'000)	*(RMB'000)*	
Joint prosthesis products	**209,490**	124,653	68.05%
Spinal products	**3,651**	(418)	N/A
Other businesses	**2**	4	-50.0%
Total	**213,143**	124,239	71.6%

Joint prosthesis products

Joint prosthesis products increased by 68.05% from approximately RMB124.65 million for the six months ended 30 June 2017 to approximately RMB209.5 million for the six months ended 30 June 2018, of which primary high-end products, such as ceramic joint prosthesis products, XN 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. The Company has won the tenders on a massive scale for all the product series throughout the country. The product lines that awarded tender are well diversified and as a result the sales of our joint prosthesis products has increased.

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 profit

Our gross profit increased by 45.4% from approximately RMB93.3 million for the six months ended 30 June 2017 to approximately RMB135.7 million for the six months ended 30 June 2018, and our gross profit margins decreased from 75.1% for the six months ended 30 June 2017 to 63.7% for the six months ended 30 June 2018. It was mainly attributable to the adoption of the world's most advanced spraying coating by engaging overseas factories to produce quality joint prosthesis products with higher competitiveness. If overseas coating companies build factories in China and the number of our coating products keeps increasing, our capability to reduce the cost and bargaining power will improve significantly. In addition, according to ASBE No. 14 "Revenue" (Amended), we use all the rebate that we expect to pay to the distributors in the first half of 2018 to offset the revenue, and this kind of expense is categorized as selling expenses for the same period in 2017. Hence, the gross profit of the current period decreased.

Selling expenses

Our selling expenses increased from approximately RMB31.9 million for the six months ended 30 June 2017 to approximately RMB59.6 million for the six months ended 30 June 2018. 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 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 with renowned orthopedic surgeons from across the country, clinical trainings for surgeries as well as publicity, promotion and trainings with respect to new products.

Impairment loss of assets

Our impairment loss of assets increased from approximately RMB0.4 million for the six months ended 30 June 2017 to approximately RMB1.3 million for the six months ended 30 June 2018, 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.

Income tax expenses

Our income tax expenses increased by 22.4% from approximately RMB5.8 million for the six months ended 30 June 2017 to approximately RMB7.1 million for the six months ended 30 June 2018, which was mainly attributable to the increase in profits from operations between January and June 2018.

Net profit

Our net profit increased by 42.3% from approximately RMB35.4 million for the six months ended 30 June 2017 to approximately RMB50.4 million for the six months ended 30 June 2018, which was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity increased by 4.7% from approximately RMB371.6 million as at 31 December 2017 to approximately RMB389.0 million as at 30 June 2018.

Our principal sources of capital 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.

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.

Use of Proceeds	**Proportion**	**Amount available** *(RMB million)*	**Expense as of 30 June 2018** *(RMB million)*	**Outstanding amount as of 30 June 2018** *(RMB million)*
First-instalment expense for the development of Daxing New Production Base	50%	92.93	7.40	85.53
Research and development activities	20.20%	37.54	0.80	36.74
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	20%	37.17	8.50	28.67
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00
Total	100%	185.86	34.91	150.95

Inventory

Our inventory increased by 48.9% from approximately RMB58.9 million as of 31 December 2017 to RMB87.7 million as of 30 June 2018, which was mainly attributable to the increase in sales and reserve of product inventory according to market needs.

Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 5.9% from approximately RMB60.8 million as of 31 December 2017 to approximately RMB64.4 million as of 30 June 2018, which was mainly attributable to the increase in our investment for the acquisition of production facilities in 2018.

Net current assets

Our net current assets increased by 6.8% from approximately RMB452.6 million as at 31 December 2017 to approximately RMB483.6 million as of 30 June 2018, which was mainly attributable to the increase in inventory, notes receivable and accounts receivable.

Intangible assets

Our intangible assets slightly increased by 0.9% from approximately RMB33.1 million as of 31 December 2017 to approximately RMB33.4 million as of 30 June 2018, which was mainly attributable to the acquisition of new system.

Working capital and financial resources

Cash flow analysis

As at 30 June 2018, our net cash inflows generated from operating activities was RMB34.3 million, which was mainly attributable to the cash received from the sales of goods; our net cash inflows generated from investing activities was RMB17.1 million, which was mainly attributable to the acquisition of fixed assets; our net cash inflows generated from financing activities was nil; and our cash and cash equivalents increased by RMB17.4 million as compared with that of the end of the previous 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 2018, we did not have any significant contingent liabilities or guarantees.

SUBSEQUENT EVENTS

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

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 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 that can better analyse and cater for specific needs of patients. As such, we believe that advanced customised joint prosthesis products can generate higher profit margins.

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 technological expertise as well as technology 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 the PRC 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 packages. 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 2018, our Group had a total of approximately 543 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As of 30 June 2018, the total salary and related cost paid to our employees were approximately RMB31.3 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 subsidiaries purchased, redeemed or sold any of our Company's listed securities during the six months period ended 30 June 2018.

INTERIM DIVIDEND

The Board proposed the declaration of interim dividend of RMB0.231 per share (including tax charge) for the six months ended 30 June 2018 (30 June 2017: Nil). The declaration of the interim dividend is subject to the shareholders' approval in the general meeting.

The interim 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 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 six months period ended 30 June 2018.

COMPLIANCE WITH MODEL CODE

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

REVIEW OF INTERIM RESULTS

WUYIGE Certified Public Accountants LLP has reviewed the relevant financial statements.

The Audit Committee of the Board has reviewed the Company's consolidated financial statements for the six months ended 30 June 2018, including the accounting principles and practices applied.

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 2018 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, 27 August 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.