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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 2018

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 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 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 2018** *RMB*	As at 31 December 2017 *RMB*
Current assets:			
Monetary funds		**414,911,994.08**	371,618,428.62
Held-for-trading financial assets		**–**	–
Financial assets measured at fair value with changes included in current profit or loss		**–**	–
Derivative financial assets		**–**	–
Notes receivable and accounts receivable	*2*	**138,643,084.69**	96,995,764.83
Including: Notes receivable		**68,551,854.01**	23,339,770.10
Accounts receivable		**70,091,230.68**	73,655,994.73
Prepayment		**6,059,478.60**	1,618,077.61
Other receivables		**1,931,307.18**	915,826.53
Including: Interests receivable		**1,299,364.38**	–
Dividends receivable		**–**	–
Inventories		**95,865,664.36**	58,947,158.89
Contract assets		**–**	–
Assets held-for-sale		**–**	–
Non-current assets due within one year		**–**	–
Other current assets		**3,788,415.00**	116,686.21
Total current assets		**661,199,943.91**	530,211,942.69
Non-current assets:			
Debt investments		**–**	–
Available-for-sale financial assets		**–**	–
Other debt investments		**–**	–
Held-to-maturity investments		**–**	–
Long-term receivable		**–**	–
Long-term equity investments		**–**	–
Other investments in debt instruments		**–**	–
Other non-current financial assets		**–**	–
Investment property		**–**	–
Fixed assets		**82,449,533.63**	47,580,889.11
Construction in progress		**21,046,594.23**	13,193,700.06
Productive biological assets		**–**	–
Oil & gas assets		**–**	–
Intangible assets		**33,114,313.21**	33,126,892.76
Development expenditures		**–**	–
Goodwill		**–**	–
Long-term prepayments		**788,333.39**	1,008,333.35
Deferred income tax assets		**9,010,246.12**	2,699,036.67
Other non-current assets		**7,131,040.62**	5,840,781.71
Total non-current assets		**153,540,061.20**	103,449,633.66
Total assets		**814,740,005.11**	633,661,576.35

Item	*Notes*	**As at 31 December 2018** *RMB*	As at 31 December 2017 *RMB*
Current liabilities:			
Short-term borrowings		**–**	–
Held-for-trading financial liabilities		**–**	–
Financial assets measured at fair value with changes included in current profit or loss		**–**	–
Derivative financial liabilities		**–**	–
Note payable and account payable	*3*	**51,930,070.41**	25,316,462.14
Advances received		**–**	–
Contract liabilities		**51,735,316.91**	15,891,150.69
Employee remuneration payable		**11,794,138.02**	4,503,817.95
Taxes payable		**16,107,861.02**	14,285,556.35
Other payables		**27,847,722.41**	17,621,821.89
Including: Interests payable		**–**	–
Dividends payable		**–**	–
Liabilities held-for-sale		**–**	–
Non-current liabilities due within one year		**–**	–
Other current liabilities		**12,653,045.87**	–
Total current liabilities		**172,068,154.64**	77,618,809.02
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred shares		**–**	–
Perpetual bonds		**–**	–
Long-term payables		**–**	–
Long-term employee remuneration payable		**–**	–
Estimated liabilities		**–**	1,994,981.90
Deferred gains		**12,690,682.43**	14,822,497.59
Deferred income tax liabilities		**1,841,282.15**	753,109.62
Other non-current liabilities		**–**	–
Total non-current liabilities		**14,531,964.58**	17,570,589.11
Total liabilities		**186,600,119.22**	95,189,398.13

Item	*Notes*	**As at 31 December 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		**–**	–
Specific reserve		**–**	–
Surplus reserve	*6*	**41,040,495.62**	30,599,186.14
Undistributed profits	*7*	**287,889,810.26**	208,663,412.07
Total interests attributable to shareholders of the Parent Company		**628,139,885.89**	538,472,178.22
Minority interests		**–**	–
Total shareholders' equity		**628,139,885.89**	538,472,178.22
Total liabilities and/or shareholders' equity		**814,740,005.11**	633,661,576.35
Net current assets		**489,131,789.27**	452,593,133.67
Total assets less current liabilities		**642,671,850.47**	556,042,767.33

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Year ended 31 December 2018 RMB	2017 RMB
I.	**Revenue**		**497,927,159.92**	300,317,298.79
	Less: Operational costs		**180,003,222.25**	84,062,884.30
	Taxes and surcharge		**6,092,827.50**	4,098,588.47
	Selling expenses		**143,914,441.19**	88,947,859.28
	Management expenses		**18,307,825.67**	23,111,998.17
	Research and development expenses		**35,454,949.86**	21,216,267.23
	Financial expenses		**(7,222,544.60)**	(4,144,972.53)
	Including: Interest expenses			
	Interest proceeds		**5,399,012.69**	5,495,618.81
	Impairment loss of assets		**2,012,949.20**	2,897,682.36
	Impairment loss of credits		**2,388,968.15**	3,277,544.54
	Add: Other gains		**2,515,131.60**	2,131,772.05
	Investment gains/(losses)		**–**	–
	Including: Investment gains from associates and joint ventures		**–**	–
	Gains/(losses) on net exposure hedges		**–**	–
	Gains/(losses) from changes of fair value		**–**	–
	Gains/(losses) from disposal of assets		**–**	–
II.	**Operational profits/(losses)**		**119,489,652.30**	78,981,219.02
	Add: Non-operating incomes		**110,000.00**	31,723.78
	Less: Non-operating expenses		**150,400.00**	217,295.57
III.	**Total profits/(losses)**		**119,449,252.30**	78,795,647.23
	Less: Income tax expenses		**13,803,182.23**	10,511,660.37

Item	*Notes*	Year ended 31 December **2018** *RMB*	2017 *RMB*
IV. Net profits/(losses)		**105,646,070.07**	68,283,986.86
(I) Categorized by continuity of operations:			
1. Net profits attributable to continuing operations		**105,646,070.07**	68,283,986.86
2. Net profits attributable to ceased operations		**–**	–
(II) Categorized by ownership:			
1. Net profits attributable to shareholders' of the Parent Company		**105,646,070.07**	68,283,986.86
2. Minority interests		**–**	–
V. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to shareholders of the Parent Company		**–**	–
Net other comprehensive income after tax attributable to minority shareholders		**–**	–
VI. Total comprehensive income		**105,646,070.07**	68,283,986.86
Total comprehensive income attributable to the shareholders of the Parent Company		**105,646,070.07**	68,283,986.86
Total comprehensive income attributable to the minority shareholders		**–**	–
VII. Earnings per share			
(I) Basic earnings per share		**1.53**	0.99
(II) Diluted earnings per share		**1.53**	0.99

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 2018 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 2018, 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 2018 and for the year ended 31 December 2018.

- "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments"(Cai Kuai [2017] No.7)

- "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets"(Cai Kuai [2017] No. 8)

- "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" (Cai Kuai [2017] No. 9)

- "Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments"(Cai Kuai [2017] No. 14)

- "Accounting Standards for Business Enterprises No. 14 – Revenue"(Cai Kuai [2017] No. 22)

- "Notice on Revision of the General Format of Financial Statements of Business Enterprises in 2018"(Cai Kuai [2018] No. 15)

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

2 NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

Categories of trade receivable:

Item		**Individually significant and for which provision is individually assessed**	**Determining provision for bad debts by grouping basis**	**By credit risk 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 31 December 2018							
Carrying amount	Amount (RMB)	–	**82,664,137.05**	**82,664,137.05**	**82,664,137.05**	**–**	**82,664,137.05**
	Percentage (%)	–	**100.00**	**100.00**	**100.00**	**–**	**100.00**
Provision	Amount (RMB)	–	**12,572,906.37**	**12,572,906.37**	**12,572,906.37**	**–**	**12,572,906.37**
	Percentage (%)	–	**15.21**	**15.21**	**15.21**	**–**	**15.21**
Net amount		–	**70,091,230.68**	**70,091,230.68**	**70,091,230.68**	**–**	**70,091,230.68**

Grouping of trade receivable for which bad debt provision has been assessed using the expected credit loss rate of aging analysis (based on the date of billing):

	As at 31 December 2018			As at 31 December 2017		
	Carrying amount		Provision	Carrying amount		Provision
Aging	Amount	Percentage		Amount	Percentage	
	RMB	*%*	*RMB*	*RMB*	*%*	*RMB*
Within 1 year	**64,320,449.77**	**77.81**	**3,216,022.49**	64,718,290.70	76.63	3,235,914.54
1-2 years	**7,658,880.68**	**9.27**	**1,148,832.10**	11,316,833.33	13.40	1,697,525.00
2-3years	**4,953,509.65**	**5.99**	**2,476,754.83**	4,670,244.15	5.53	2,335,122.08
More than 3 years	**5,731,296.95**	**6.93**	**5,731,296.95**	3,752,745.85	4.44	3,752,745.85
Total	**82,664,137.05**	**100.00**	**12,572,906.37**	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 NOTES PAYABLE AND ACCOUNTS PAYABLE

Item	As at 31 December 2018 *RMB*	As at 31 December 2017 *RMB*
Purchasing of materials	**47,773,363.18**	25,032,183.14
Purchasing of machinery and equipment	**4,156,707.23**	284,279.00
Total	**51,930,070.41**	25,316,462.14

Aging analysis of trade payable is as follows:

Item	As at 31 December 2018 *RMB*	As at 31 December 2017 *RMB*
Within 1 year	**50,623,375.80**	24,199,043.00
1 to 2 years	**651,845.87**	630,217.59
2 to 3 years	**29,924.43**	296,603.56
More than 3 years	**624,924.31**	190,597.99
Total	**51,930,070.41**	25,316,462.14

4 SHARE CAPITAL

Name	As at 31 December 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
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 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 31 December 2018 *RMB*	As at 31 December 2017 *RMB*
Statutory surplus reserve	**41,040,495.62**	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 fund 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 2018 *RMB*	As at 31 December 2017 *RMB*
Closing balance of the preceding year	**208,663,412.07**	157,925,043.22
Opening balances of the current year	**208,663,412.07**	157,925,043.22
Add: Net profit attributable to equity owners of the Company	**105,646,070.07**	68,283,986.86
Less: Transfer to statutory reserve fund	**10,441,309.48**	6,824,206.01
Dividend declared	**15,978,362.40**	10,721,412.00
Closing balances of the current year	**287,889,810.26**	208,663,412.07

8. REVENUE AND COST OF SALES

Item	Year ended 31 December 2018 *RMB*	2017 *RMB*
Revenue from principal operation	**497,847,611.12**	300,317,298.79
Revenue from other operations	**79,548.80**	–
Cost of sales	**180,003,222.25**	84,062,884.30

Revenue and cost of sales (classified by products)

Item	Year ended 31 December 2018 *RMB*	2017 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**497,847,611.12**	300,317,298.79
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**180,003,222.25**	84,062,884.30

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**	
	2018	2017
	RMB	*RMB*
The PRC		
North	**160,133,300.86**	98,084,164.91
West	**68,056,658.66**	39,182,063.34
Central	**96,334,284.41**	63,604,680.15
East	**104,750,142.74**	51,042,386.04
South	**50,862,882.77**	31,243,294.42
	480,137,269.44	283,156,588.87
Other than the PRC	**17,710,341.68**	17,160,709.92
Total	**497,847,611.12**	300,317,298.79

9 INCOME TAX EXPENSES

Item	**Year ended 31 December**	
	2018	2017
	RMB	*RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**19,026,219.15**	11,408,297.24
Deferred income tax	**(5,223,036.92)**	(896,636.87)
Total	**13,803,182.23**	10,511,660.37

Applicable tax rate

Item	**Year ended 31 December**	
	2018	2017
Standard tax rates:		
The Company	**25%**	25%
Zhao Yi Te	**25%**	25%
Chunli Hangnuo (春立航諾)	**25%**	–
Applicable tax rates:		
The Company	**15%**	15%
Zhao Yi Te	**25%**	25%
Chunli Hangnuo (春立航諾)	**25%**	–

Reconciliation of current income tax expenses to the accounting profit is as follows:

Item	Year ended 31 December **2018** ***RMB***	 2017 *RMB*
Profit before tax	**119,449,252.30**	7,879,647.23
Income tax expenses based on statutory/applicable tax rate	**17,917,387.85**	11,819,347.08
Effect of different tax rate applicable to subsidiaries	**132,462.96**	3,680.72
Effect of prior income tax reconciliation	**(312,497.98)**	136,021.63
Effect of non-deductible costs, expenses and losses	**294,014.34**	158,152.35
Effect of using deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	**(245,467.35)**	(14,321.37)
Effects of deductible research and development costs and others	**(3,988,681.86)**	(1,591,220.04)
Effect of deducible temporary differences or deducible losses not recognized in the current period	**5,964.27**	–
Income tax expenses	**13,803,182.23**	10,511,660.37

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

Calculation result

Item	Year ended 31 December **2018** ***RMB***	 2017 *RMB*
Earnings per share		
Net profit attributable to equity owners of the Company	**1.53**	0.99
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**1.53**	0.99

Calculation process of basic earnings per share

Item		Year ended 31 December 2018	2017
Net profit attributable to equity owners of the Company (RMB)	*A*	**105,646,070.07**	68,283,986.86
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*	**1.53**	0.99

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

On 15 February 2019, the extraordinary general meeting passed the proposed bonus issue of a total of 69,170,400 shares from the undistributed profits as at 31 December 2017 by poll, on the basis of 1 bonus share for every 1 existing share (including tax) held by the shareholders whose names appear on the register of members of the Company on the record date (i.e. 15 February 2019), and the bonus shares will be issued by way of conversion of undistributed profits.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2018, the State Council of the People's Republic of China ("**China**") undertook institutional reforms, and it established National Health Commission which covers the duties of the original National Health and Family Planning Commission (the"**NHFPC**"), and established State Administration for Market Regulation, while separately establishing National Medical Products Administration, in order to achieve hierarchical management on market administration. For strengthening the management on medical insurance, the National Healthcare Security Administration was established. Such institutional reform will bring long-term benefits to the development of medical instruments industry in China. In 2018, the issue of relevant regulations on multiple medical instruments including customized medical instruments and the smooth development of tenders for medical instruments of different levels will gradually benefit the domestic medical instrument enterprises.

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 for and acceptance of 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 instruments 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 share. 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.

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.

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 National Medical Products 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 2018, we held 16 medical device registration certificates and recordation certificate 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, 1 is Class II medical device registration certificate and 5 are Class I medical device recordation certificates. As China adopts a strict product registration system for medical devices manufacturing enterprises, the possession of comprehensive product registration certificates and recordation certificate 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

Our Company is a state-level high and new technology enterprise (國家級高新技術企業) and G20 Enterprise (which is a progressive development advocated by the municipal government in Beijing aiming at promoting the biomedicine industry in Beijing as the backbone of the capital with its strategical value). Our research and development team consists of professionals who possess Doctorate degrees and Master's degrees and numerous talents who have over 10 years of experience in research and development of production, with adequate capabilities in the development of innovative products and sustainable improvement of research and development.

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 worked closely together with experts, thereby ensuring that those products under research and development will meet the market demands and fulfill the requirement of clinical practicality. The "Research Program by Multiple Joint Surgical Centres in China" (中國關節外科多中心研究工程) initiated by us conducts clinical follow-ups and trackings on the joint prothesis products developed by us for the purpose of provision of clinical data for improvements in joint prothesis and instruments. Currently, there are over 300 hospitals from 31 provinces which joined the research program, being the first domestic program for follow-ups and trackings focused on the clinical effectiveness of joint prothesis of such a large scale.

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 Company's 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.

As of 31 December 2018, the Company has obtained 41 patents and has applied for 57 new patents. In March 2018, the Company obtained the approval for the two special applications for innovative medical instruments, which are single knee joint prosthesis (單髁膝關節假體) (acceptance number: CQTS1700268) and customized individualized pelvical prosthesis (定製個體化骨盆假體) (acceptance number: CQTS1700269), respectively, pursuant to Procedures for Special Approval of Innovative Medical Devices (Trial) (《創新醫療器械特別審批程序(試行)》).

In December 2018, the Company obtained the approval for establishment of a state-level post-doctoral working station for scientific research. The Company will rely on the state-level post-doctoral working station for scientific research to enhance the consolidated strength of research and development team, while speeding up the progress of research and development of high-end medical instrument products and promoting the launch of new products.

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 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 individualized prosthesis products. 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.

In March 2018, the Company obtained the approval for a special application for innovative medical instruments, namely customized individualized pelvical prosthesis (定製個體化骨盆假體) (acceptance number: CQTS1700269) pursuant to Procedures for Special Approval Procedure for Innovative Medical Devices (Trial) (《創新醫療器械特別審批程序(試行)》), which marked the rapid progress of approval for customized individualized prosthesis of our Company.

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 36 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 65.80% from approximately RMB300.3 million for the year ended 2017 to approximately RMB497.9 million for the year ended 2018, mainly attributable to the growth in sales of our joint prosthesis products and the expansion of sales network. 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
	2018	2017	
	(RMB'000)	*(RMB'000)*	
Joint prosthesis products	**484,072**	292,904	65.27%
Spinal products	**13,775**	7,413	85.82%
Other businesses	**80**	–	N/A
Total	**497,927**	300,317	65.80%

Joint prosthesis products

Joint prosthesis products increased by 65.27% from approximately RMB292.9 million for the year ended 2017 to approximately RMB484.1 million for the year ended 2018, of which is primarily due to our main high-end products, such as ceramic joint prosthesis products, XN series knee joint prosthesis products and minimal invasive hip joint prosthesis products, have 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 medical devices covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the first domestic enterprises to manufacture advanced joint prosthesis products. Our Company was awarded tenders of a large scale, which covered a comprehensive range of our various product lines, such that our joint prosthesis products enjoyed a growth in sales volume.

In addition, the Company is the first and the sole domestic enterprise to introduce DAMIS and advanced minimal invasive techniques from Europe. The Company also put a lot of effort into the promotion and application of DAMIS products and techniques, which in turn drove the increase in sales volume of minimal invasion related products.

Gross profits

Our gross profit increased by 46.97% from approximately RMB216.3 million for the year ended 2017 to approximately RMB317.9 million for the year ended 2018, which was mainly attributable to the rapid growth of primary joint prosthesis products such as ceramic joint prosthesis products, XN series knee joint prosthesis products, which are medium-to-high-end products with relatively higher unit prices, and spine products in the industry.

Our gross profit margin decreased from 72.0% for the year ended 2017 to 63.85% for the year ended 2018, which 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 used all the rebate that we expect to pay to the distributors in 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 RMB88.9 million for the year ended 2017 to approximately RMB143.9 million for the year ended 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 primary 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 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 decreased by 20.78% from approximately RMB23.1 million for the year ended 2017 to approximately RMB18.3 million for the year ended 2018, which was primarily due to our Company further streamlined the administration measures on financial auditing for endowment, medical, unemployment, employment injury and maternity insurances as well as housing provident fund, in which the said insurances and provident fund originally included in administrative expenses were reclassified to selling expenses and operational costs.

Research and development expenses

Our research and development expenses increased by 67.45% from approximately RMB21.2 million for the year ended 2017 to approximately RMB35.5 million for the year ended 2018. Our research and development expenses in 2018 accounted for 7.12% of the annual revenue. It was mainly attributed 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 which cater for the physical conditions of the domestic population. Meanwhile, significant progress was achieved for sample production of new products, clinical testings, product registrations, etc. The clinical testings for numerous high-end new products were underway to the observation periods, while the registrations for various new products were getting close to the stage of supplementary review.

Impairment loss of assets

Our impairment loss of assets decreased from approximately RMB2.9 million for the year ended 2017 to approximately RMB2.0 million for the year ended 2018, which was mainly attributable to the decrease in impairment losses of our inventory in accordance with the impairment policy of the Company.

Impairment loss of credits

Our impairment loss of credits decreased from approximately RMB3.3 million for the year ended 2017 to approximately RMB2.4 million for the year ended 2018, which was mainly attributable to higher quality of accounts receivable and optimized aging structure of accounts receivable.

Non-operating income

Our non-operating income increased from approximately RMB0.03 million for the year ended 2017 to approximately RMB0.1 million for the year ended 2018, which was mainly attributable to the receipt of the government grants.

Income tax expenses

Our income tax expenses increased by 31.43% from approximately RMB10.5 million for the year ended 2017 to approximately RMB13.8 million for the year ended 2018, which was mainly attributable to the increase in profits from operations in 2018.

Net profit for the year

Our net profit increased by 54.61% from approximately RMB68.3 million for the year ended 2017 to approximately RMB105.6 million for the year ended 2018. The increase in net profit was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity increased by 11.65% from approximately RMB371.6 million for the year ended 31 December 2017 to approximately RMB414.9 million for the year ended 2018.

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 to meet our foreseeable capital expenditure demands.

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 31 December 2018** *(RMB million)*	**Outstanding amount as of 31 December 2018** *(RMB million)*
First-instalment expense for the development of Daxing New Production Base	50%	92.93	8.1	84.83
Research and development activities	20.20%	37.54	0.8	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	9.6	27.57
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00
Total	100%	185.86	36.71	149.15

Inventory

Our inventory increased from approximately RMB58.9 million for the year ended 2017 to approximately RMB95.9 million for the year ended 2018, which was mainly attributable to the increase in sales volume and stock keeping according to market needs.

Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 70.23% from approximately RMB60.8 million for the year ended 31 December 2017 to approximately RMB103.5 million for the year ended 31 December 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 8.06% from approximately RMB452.6 million for the year ended 31 December 2017 to approximately RMB489.1 million for the year ended 31 December 2018, which was mainly attributable to the increase in inventory, notes receivable and monetary funds.

Working capital and financial resources

Cash flow analysis

As at 31 December 2018, our net cash inflows generated from operating activities was approximately RMB108.5 million, which was mainly due to receipts of cash from the sales of goods; our net cash outflows generated from investing activities was approximately RMB48.2 million, which was mainly due to the acquisition of fixed assets and construction in progress; our net cash outflows generated from financing activities was approximately RMB16.0 million, which was mainly due to the payment of dividends; and our cash and cash equivalents increased by approximately RMB43.3 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 of 31 December 2018, we did not have any significant contingent liabilities or guarantees.

SUBSEQUENT EVENTS

On 15 February 2019, the extraordinary general meeting passed the proposed bonus issue of a total of 69,170,400 shares from the undistributed profits as at 31 December 2017 by poll, on the basis of 1 bonus share for every 1 existing share (including tax) held by the shareholders whose names appear on the register of members of the Company on the record date (i.e. 15 February 2019), and the bonus shares will be issued by way of conversion of undistributed profits.

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 and individualized 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 joint prosthesis product called advanced customized and individualized 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 customized and individualized 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 customized and individualized 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 customized and individualized 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 expertise and technique 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.

Talent development and incentives

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 employees' work initiative and enthusiasm.

EMPLOYEE

As at 31 December 2018, our Group had approximately a total of 628 employees, which included management, production, quality and monitoring staff, research and development personnel, sales and marketing staff and general and administration staff. As of 31 December 2018, the total salary and related cost paid to our employees were approximately RMB63.9 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 2018.

2018 FINAL DIVIDEND

The Board proposed the declaration of final dividend of RMB0.231 per share (including tax charge) for the year ended 31 December 2018, totalling RMB31,956,724.80 (including tax charge) based on 138,340,800 issued shares as of the date of this announcement (2017: RMB0.231 per share (including tax charge), totalling RMB15,978,362.40 (including tax charge) based on 69,170,400 issued shares). The declaration of the 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.

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. Mr. Shi Chunbao, who is one of the founders of our Group, currently performs the roles as the chairman and general manager of the Company, and he possesses extensive industry experiences.

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.

Save as disclosed above, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code for the year ended 31 December 2018.

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 2018.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee of the Board has reviewed our Company's consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices.

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 2018 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, 27 March 2019

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*