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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 2019

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 2019. 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 PRC's Accounting Standards.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	*Notes*	**As at 30 June 2019** *RMB*	As at 31 December 2018 *RMB*
Current assets:			
Cash and bank deposit		**399,169,627.79**	414,911,994.08
Held-for-trading financial assets		–	–
Financial assets measured at fair value with changes included in current profit and loss		–	–
Derivative financial assets		–	–
Notes receivable	*2*	**70,342,015.41**	68,551,854.01
Accounts receivable		**121,936,670.61**	70,091,230.68
Prepayment		**8,385,510.60**	6,059,478.60
Other receivables		**1,812,978.15**	1,931,307.18
Including: Interests receivable		**387,471.23**	1,299,364.38
Dividends receivable		–	–
Inventories		**173,073,288.22**	95,865,664.36
Contract assets		–	–
Assets held-for-sale		–	–
Non-current assets due within one year		–	–
Other current assets		**7,787,095.89**	3,788,415.00
Total current assets		**782,507,186.67**	661,199,943.91
Non-current assets:			
Bond investments		–	–
Available-for-sale financial assets		–	–
Other bond investments		–	–
Held-to-maturity investments		–	–
Long-term receivable		–	–
Long-term equity investments		–	–
Other investments in equity instruments		–	–
Other non-current financial assets		–	–
Investment property		–	–
Fixed assets		**93,159,189.57**	82,449,533.63
Construction in progress		**30,825,640.13**	21,046,594.23
Productive biological assets		–	–
Oil & gas assets		–	–
Intangible assets		**32,661,575.75**	33,114,313.21
Development expenditures		–	–
Goodwill		–	–
Long-term prepayments		**678,333.41**	788,333.39
Deferred tax assets		**9,872,931.59**	9,010,246.12
Other non-current assets		**4,222,007.23**	7,131,040.62
Total non-current assets		**171,419,677.68**	153,540,061.20
Total assets		**953,926,864.35**	814,740,005.11

Item	*Notes*	**As at 30 June 2019** *RMB*	As at 31 December 2018 *RMB*
Current liabilities:		**–**	–
Short-term borrowings		**–**	–
Held-for-trading financial liabilities		**–**	–
Financial liabilities measured at fair value with changes included in current profit and loss			
Derivative financial liabilities		**–**	–
Note payable and account payable	*3*	**88,876,322.81**	51,930,070.41
Advances received		**761,390.24**	–
Contract liabilities		**53,329,995.22**	51,735,316.91
Employee remuneration payable		**10,875,953.69**	11,794,138.02
Taxes payable		**12,251,767.54**	16,107,861.02
Other payables		**64,313,667.80**	27,847,722.41
Including: Interests payables		**–**	–
Dividends payable		**31,196,724.80**	–
Liabilities held-for-sale		**–**	–
Non-current liabilities due within one year		**–**	–
Other current liabilities		**15,131,586.23**	12,653,045.87
Total current liabilities		**245,540,683.53**	172,068,154.64
Non-current liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**–**	–
Including: Preferred shares		**–**	–
Perpetual bonds		**–**	–
Long-term payables		**–**	–
Long-term employee remuneration payable		**–**	–
Estimated liabilities		**–**	–
Deferred gains		**16,643,241.62**	12,690,682.43
Deferred income tax liabilities		**2,348,927.35**	1,841,282.15
Other non-current liabilities		**–**	–
Total non-current liabilities		**18,992,168.97**	14,531,964.58
Total liabilities		**264,532,852.50**	186,600,119.22

Item	Notes	As at 30 June 2019 RMB	As at 31 December 2018 RMB
Shareholders' equity:			
Share capital	*4*	**138,340,800.00**	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**	41,040,495.62
Undistributed profits	*7*	**279,973,536.22**	287,889,810.26
Total interests attributable to shareholders of the Parent Company		**689,394,011.85**	628,139,885.89
Minority interests			
Total shareholders' equity		**689,394,011.85**	628,139,885.89
Total liabilities and shareholders' equity		**953,926,864.35**	814,740,005.11
Net current assets		**536,966,503.14**	489,131,789.27
Total assets less current liabilities		**708,386,180.82**	642,671,850.47

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Six months ended 30 June 2019 RMB	2018 RMB
I.	**Revenue**	*8*	**374,983,818.92**	213,143,115.11
	Less: Cost of sales	*8*	**120,991,634.02**	77,407,318.17
	Taxes and levies		**2,403,344.31**	2,242,506.08
	Selling expenses		**95,145,173.02**	59,633,287.38
	Administrative expenses		**10,205,274.76**	12,654,304.58
	Research and development expenses		**25,782,253.80**	9,002,247.76
	Finance expenses		**(1,690,978.15)**	(5,065,233.10)
	Including: Interest expenses			
	Interest proceeds		**3,135,056.54**	2,828,088.81
	Impairment loss of assets		**–**	1,464,022.75
	Impairment loss of credits		**1,199,289.98**	(140,846.90)
	Add: Other gains		**1,537,833.81**	1,594,767.16
	Investment gains (losses are denoted as "–")		**–**	–
	Including: Investment gains from associates and joint ventures		**–**	–
	Gains on net exposure hedges (losses are denoted as "–")		**–**	–
	Gains from changes of fair value (losses are denoted as "–")		**–**	–
	Gains from disposal of assets (losses are denoted as "–")		**(67,826.39)**	–
II.	**Operating profit**		**122,417,834.60**	57,540,275.55
	Add: Non-operating income		**2,380.00**	–
	Less: Non-operating expenses		**10,000.00**	200.00
III.	**Profit before tax**		**122,410,214.60**	57,540,075.55
	Less: Income tax expenses	*9*	**13,221,001.44**	7,134,602.75
IV.	**Net profit**		**109,189,213.16**	50,405,472.80
	Net profit attributable to the equity holders of the Company		**109,189,213.16**	50,405,472.80
V.	**Earnings per share:**			
	(I) Basic earnings per share	*10*	**0.79**	0.36
	(II) Diluted earnings per share	*10*	**0.79**	0.36
VI.	**Other comprehensive income**		**–**	–
VII.	**Total comprehensive income**		**109,189,213.16**	50,405,472.80
	Total comprehensive income attributable to the equity holders of the Company		**109,189,213.16**	50,405,472.80

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. Pursuant to the Listing requirement, 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 as of 30 June 2019 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, the PRC 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 as of 30 June 2019, the Group has adopted all of the new and revised CASBE issued by the MOF that are effective as of 30 June 2019.

"ASBE No. 22 – Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No.7)
"ASBE No. 23 – Transfer of Financial Assets" (Cai Kuai [2017] No. 8)
"ASBE No. 24 – Hedge Accounting" (Cai Kuai [2017] No. 9)
"ASBE No. 37 – Presentation and Reporting of Financial Instruments" (Cai Kuai [2017] No. 14)
"ASBE No. 14 – Revenue" (Cai Kuai [2017] No. 22)
"Notice on Revision of the General Format of Financial Statements of Business Enterprises in 2019" (Cai Kuai [2019] No. 6)

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	Credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
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
As at 30 June 2019							
Carrying amount	Amount (RMB)	–	136,958,186.56	136,958,186.56	136,958,186.56	–	136,958,186.56
	Percentage (%)	–	100.00	100.00	100.00	–	100.00
Provision	Amount (RMB)	–	15,021,515.95	15,021,515.95	15,021,515.95	–	15,021,515.95
	Percentage (%)	–	10.97	10.97	10.97	–	10.97
Net amount		–	121,936,670.61	121,936,670.61	121,936,670.61	–	121,936,670.61

Credit risk characteristics group:

Aging	**As at 30 June 2019**			As at 31 December 2018		
	Carrying amount		**Provision**	Carrying amount		Provision
	Amount	**Percentage**		Amount	Percentage	
	RMB	***%***	***RMB***	*RMB*	*%*	*RMB*
Within one year	**119,390,347.27**	**87.17**	**5,969,517.36**	64,320,449.77	77.81	3,216,022.49
1 to 2 years	**8,246,987.32**	**6.02**	**1,237,048.10**	7,658,880.68	9.27	1,148,832.10
2 to 3 years	**3,011,802.96**	**2.20**	**1,505,901.48**	4,953,509.65	5.99	2,476,754.83
More than 3 years	**6,309,049.01**	**4.61**	**6,309,049.01**	5,731,296.95	6.93	5,731,296.95
Total	**136,958,186.56**	**100.00**	**15,021,515.95**	82,664,137.05	100.00	12,572,906.37

Note: The analysis of aging of accounts receivable is based on the month of issuing business bills to clients. The early accounts receivable will be collected firstly, when clients turn over capital.

3 ACCOUNTS PAYABLE

Item	**As at 30 June 2019**	As at 31 December 2018
	RMB	*RMB*
Purchasing of materials	**82,386,141.61**	47,773,363.18
Purchasing of machinery and equipment	**6,490,181.20**	4,156,707.23
Total	**88,876,322.81**	51,930,070.41

Aging analysis of accounts payable is as follows:

Item	**As at 30 June 2019**	As at 31 December 2018
	RMB	*RMB*
Within one year	**87,043,690.63**	50,623,375.80
1 to 2 years	**1,578,521.73**	651,845.87
2 to 3 years	**135,509.96**	29,924.43
More than 3 years	**118,600.49**	624,924.31
Total	**88,876,322.81**	51,930,070.41

Note: The analysis of aging of accounts receivable is based on the month of issuing business bills to clients. The early accounts receivable will be collected firstly, when clients turn over capital.

4 SHARE CAPITAL

Name	**As at 30 June 2019** *RMB*	As at 31 December 2018 *RMB*
Mr. Shi Chunbao	**48,474,174.00**	24,237,087.00
Ms. Yue Shujun	**39,179,160.00**	19,589,580.00
Mr. Sun Weiqi	**3,466,666.00**	1,733,333.00
Mr. Jin Jie	**2,666,666.00**	1,333,333.00
Mr. Lin Yiming	**2,320,000.00**	1,160,000.00
Ms. Wang Haiya	**1,333,334.00**	666,667.00
Mr. Huang Dong	**1,013,334.00**	506,667.00
Mr. Ni Xuezhen	**800,000.00**	400,000.00
Mr. Zhang Zhaohui	**533,332.00**	266,666.00
Mr. Chen Xusheng	**213,334.00**	106,667.00
Overseas listed foreign shares	**38,340,800.00**	19,170,400.00
Total	**138,340,800.00**	69,170,400.00

At the end of reporting period, the share capital of the Company is RMB138,340,800.00, representing 100,000,000 domestic shares and 38,340,800.00 H shares with a nominal value of RMB1.00 each in the Company. 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.

5 CAPITAL RESERVE

Item	**As at 30 June 2019** *RMB*	As at 31 December 2018 *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 2019** *RMB*	As at 31 December 2018 *RMB*
Statutory surplus reserve	**41,040,495.62**	41,040,495.62

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 30 June 2019** *RMB*	As at 31 December 2018 *RMB*
Closing balances of the preceding year	**287,889,810.26**	208,663,412.07
Opening balances of the current period/year	**287,889,810.26**	208,663,412.07
Add: Net profit attributable to equity owners of the Company	**109,189,213.16**	105,646,070.07
Less: Transfer to statutory reserve fund	**–**	10,441,309.48
Dividend declared	**47,935,087.20**	15,978,362.40
Ordinary shares dividends transferred to share capital	**69,170,400.00**	–
Closing balances of the current period/year	**279,973,536.22**	287,889,810.26

Pursuant to the resolution passed at the meeting of the Board of Directors held on 27 March 2019 and the resolution passed at the general meeting of the shareholders for the year ended 31 December 2018 held on 28 June 2019, a final dividend in respect of the year ended 31 December 2018 of RMB0.231 per share (including tax charge), amounting to RMB31,956,724.80 was declared.

8 REVENUE AND COST OF SALES

Item	**Six months ended 30 June** **2019** *RMB*	2018 *RMB*
Revenue from principal operation	**374,799,625.32**	213,141,160.11
Revenue from other operations	**184,193.60**	1,955.00
Cost of sales	**120,700,996.06**	76,297,339.85

Revenue and cost of sales (classified by products)

Item	**Six months ended 30 June** **2019** *RMB*	2018 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**374,799,625.32**	213,141,160.11
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**120,700,996.06**	76,297,339.85

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** **2019** *RMB*	2018 *RMB*
The PRC		
North	**136,794,050.28**	75,810,307.74
West	**41,163,292.64**	28,070,573.23
Central	**83,499,868.69**	46,366,679.14
East	**51,678,520.53**	37,766,771.97
South	**38,593,651.84**	20,058,215.70
	351,729,383.98	208,072,547.78
Other than the PRC	**23,070,241.34**	5,068,612.33
Total	**374,799,625.32**	213,141,160.11

9 INCOME TAX EXPENSES

Item	**Six months ended 30 June** **2019** *RMB*	2018 *RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**13,576,041.71**	9,501,899.29
Deferred income tax	**(355,040.27)**	(2,367,296.54)
Total	**13,221,001.44**	7,134,602.75

Applicable tax rate

Item	**Six months ended 30 June** **2019**	2018
Standard tax rates:		
The Company	**25%**	25%
Zhao Yi Te	**25%**	25%
Chunli Hangnuo	**25%**	–
Applicable tax rates:		
The Company	**15%**	15%
Zhao Yi Te	**5%**	25%
Chunli Hangnuo	**25%**	–

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

Item	Six months ended 30 June **2019** ***RMB***	 2018 *RMB*
Profit before tax	**122,410,214.60**	57,540,075.55
Income tax expenses based on statutory/applicable tax rate	**18,361,532.19**	8,631,011.34
Effect of different tax rate applicable to subsidiaries	**(79,494.41)**	59,859.06
Effect of prior income tax reconciliation	**(2,527,055.72)**	(208,809.96)
Effect of non-deductible costs, expenses and losses	**276,587.49**	142,482.42
Effects of deductible research and development costs and others	**(2,900,503.56)**	(1,324,802.69)
Effect of using the deductible loss of previously unrecognized deferred income tax assets	**–**	(165,137.42)
Effect of deducible temporary differences or deducible losses not recognized in the current period	**89,935.46**	–
Income tax expenses	**13,221,001.44**	7,134,602.75

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

Calculation result

Item	Six months ended 30 June **2019** ***RMB***	 2018 *RMB*
Earnings per share		
Net profit attributable to equity owners of the Company	**0.79**	0.36
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**0.79**	0.36

Note: The bonus issue has been passed in the Extraordinary General Meeting for the Period. The earnings per Share for the same period last year were recalculated according to the Accounting Standards for Enterprises.

Calculation process of basic earnings per share

Item		Six months ended 30 June **2019**	2018
Net profit attributable to equity owners of the Company (RMB)	*A*	**109,189,213.16**	50,405,472.80
Number of shares at beginning of the year	*B*	**138,340,800.00**	138,340,800.00
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*	**138,340,800.00**	138,340,800.00
Basic earnings per share (RMB)	*F=A/E*	**0.79**	0.36

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 manufacture and trading of surgical implants, instruments and related products. Based on the Group's internal organisational structure, management requirements and internal reporting policies, the operation of the Company constitutes one single reportable segment, i.e. 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

In 2019, the medical device industry continued a stable and rapid development. "The Announcement on Adjusting the Examination and Approval Procedures for Clinical Trials of Medical Devices (《關於調整醫療器械臨床試驗審批程序的公告》) was published by the National Medical Products Administration ("**NMPA**") to refine clinical evaluation system of medical device on 29 March 2019. The "Provisions on the Supervision and Administration of Customized Medical Devices (for Trial Implementation)" (《定制式醫療器械監督管理規定(試行)》) was jointly issued by the NMPA and National Health Commission ("**NHC**"), with effect from 1 January 2020, which clarified that customized medical devices are subject to administration by record-filing. The enterprise shall report its ownership in same types of medical device registration certificate and relevant licenses for conducting mass production in accordance with the standard specification. Relevant industrial regulations and policies in the PRC are beneficial to the development of medical device industry.

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 implants 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, 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.

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 NMPA, 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.

In June 2019, we have received the registration certificate for "non-absorbable suture anchors" issued by the NMPA, which marked the entry into the field of sports medicine and further enriched our product portfolio. As at 30 June 2019, we held 17 medical device registration certificates and recordation certificate in the PRC for the production of medical devices which cover joint prosthesis products for the four major joints and spinal products, of which 11 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 the PRC 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.

In the first half of 2019, we received product registration certificates from Thailand and Indonesia. Obtaining foreign registration certificates ensures the continued growth of our international sales and reflects our strong competitiveness in the international market.

Diversified product portfolio

Being one of the earliest domestic enterprises in the PRC 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 the 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 Engineering 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 Development and Reform Commission (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 30 June 2019, the Company has obtained 60 patents and has applied for 48 new patents. As of 30 June 2019, the single knee joint prosthesis (單髁膝關節假體) of the Company, which have obtained special approval for innovative medical instruments, (acceptance number: CQTS1700268) has entered the observation periods.

Advanced ceramic joint prosthesis products

In April 2015, the Company became the first enterprise in the PRC 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. In March 2019, the "ceramic hip joint prosthesis" of the Company was awarded the "Certificate for New Technology and New Products in Beijing" (Certificate No.: XCP2018SY0171).

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 the PRC 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" (DAMIS千人計劃) 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.

In March 2019, the "knee joint prosthesis" of the Company was awarded the "Certificate for New Technology and New Products in Beijing" (Certificate No.: XCP2018SY0170).

Extensive distribution and sales network

We have built an extensive distribution network covering all provinces, municipalities and autonomous regions in the PRC (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 the PRC 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

Operating revenue

Our revenue increased by 75.9% from approximately RMB213.1million for the six months ended 30 June 2018 to approximately RMB375.0 million for the six months ended 30 June 2019, which was mainly attributable to the sales growth of joint prosthesis product and the expansion of sales network. 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
	2019	2018	
	(RMB'000)	*(RMB'000)*	
Joint prosthesis products	**369,438**	209,490	76.3%
Spinal products	**5,362**	3,651	46.9%
Other businesses	**184**	2	9,100%
Total	**374,984**	213,143	75.9%

Joint prosthesis products

Joint prosthesis products increased by 76.3% from approximately RMB209.5 million as at 30 June 2018 to approximately RMB369.4 million as at 30 June 2019, of which primary high-end products, such as ceramic joint prosthesis products, XN series knee joint prosthesis products and minimal invasive hip joint prosthesis products, achieved a fast growth in the industry.

We are the first enterprise in the PRC to obtain a medical device registration certificate for the fourth generation of ceramic joint covering both half-ceramics and full-ceramics joint prosthesis products. The Company is also one of the earliest domestic enterprises to manufacture advanced joint prosthesis products. As the tender offerings, re-tenderings or registrations with hospitals for our ceramic joint prosthesis products in various provinces proceed gradually, the proportion of ceramic joint prosthesis products within the product portfolio in terms of sales volume has growth rapidly in 2019.

In addition, the Company is the first and the sole domestic enterprise to introduce advanced minimal invasive techniques in relation to DAMIS from Europe. 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.

Gross profit

Our gross profit increased by 87.2% from approximately RMB135.7 million for the six months ended 30 June 2018 to approximately RMB254.0 million for the six months ended 30 June 2019, which was mainly attributable to the sales growth of primary joint prosthesis products such as ceramic joint prosthesis products and XN series knee joint prosthesis products, which are medium-to-high end products with relatively higher unit prices.

Gross profit margin increased from 63.7% as at 30 June 2018 to 67.7% as at 30 June 2019. The increase in gross profit margins was mainly driven by the increase in sales.

Selling expenses

Our selling expenses increased from approximately RMB59.6 million for the six months ended 30 June 2018 to approximately RMB95.1 million for the six months ended 30 June 2019. 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 basic level hospitals. As a result, we hired additional sales staffs and offered 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.

Administrative expenses

Our administrative expenses decreased by 19.7% from approximately RMB12.7 million for the six months ended 30 June 2018 to approximately RMB10.2 million for the six months ended 30 June 2019, which was primarily due to our Company further streamlining the administration measures on financial auditing for endowment, medical, unemployment, employment injury and maternity insurances as well as housing provident fund in the first half of 2019, 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 from approximately RMB9.0 million for the six months ended 30 June 2018 to approximately RMB25.8 million for the six months ended 30 June 2019. Our research and development expenses in the first half of 2019 accounted for 6.88% of the 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. At the same time, sample production of new products, fatigue and wear test on products as well as clinical trial application were enhanced, which ensured product safety and effectiveness. Meanwhile, significant progress was achieved for clinical testings and 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 credits

Our impairment loss of credits increased from negative balance of approximately RMB0.1 million for the six months ended 30 June 2018 to approximately RMB1.2 million for the six months ended 30 June 2019, which was mainly attributable to the increase in sales revenue and accounts receivable.

Income tax expenses

Our income tax expenses increased from approximately RMB7.1 million for the six months ended 30 June 2018 to approximately RMB13.2 million for the six months ended 30 June 2019, which was mainly attributable to the increase in profits from operations between January and June 2019.

Net profit

Our net profit increased from approximately RMB50.4 million for the six months ended 30 June 2018 to approximately RMB109.2 million for the six months ended 30 June 2019, which was mainly attributable to the increase in our revenue.

Liquidity and capital resources

Our liquidity decreased by 3.8% from approximately RMB414.9 million as at 31 December 2018 to approximately RMB399.2 million as at 30 June 2019.

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 2019 *(RMB million)*	Outstanding amount as of 30 June 2019 *(RMB million)*
First-instalment expense for the development of Daxing New Production Base	50%	92.93	12.54	80.39
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	9.60	27.57
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00
Total	100%	185.86	41.15	144.71

Inventory

Our inventory increased from approximately RMB95.9 million as of 31 December 2018 to approximately RMB173.1 million as of 30 June 2019, 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 19.8% from approximately RMB103.5 million as of 31 December 2018 to approximately RMB124.0 million as of 30 June 2019, which was mainly attributable to the increase in our investment for the acquisition of production facilities and engineering construction in 2019.

Net current assets

Our net current assets increased by 9.8% from approximately RMB489.1 million as at 31 December 2018 to approximately RMB537.0 million as of 30 June 2019, which was mainly attributable to the increase in inventory, accounts receivable and notes receivable.

Working capital and financial resources

Cash flow analysis

As at 30 June 2019, our net cash inflows generated from operating activities was RMB17.3 million, which was mainly attributable to the cash received from the sales of goods; our net cash outflows generated from investing activities was RMB18.3 million, which was mainly attributable to the acquisition of fixed assets and engineering construction; our net cash outflows generated from financing activities was RMB14.6 million; and our cash and cash equivalents decreased by RMB15.7 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 2019, 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

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 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 that 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 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 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 domestic and overseas medical institutes in order to enhance our 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. At the same time, we will actively organize 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 organize academic seminars at different levels and in various aspects so as to further increase our brand influence.

Talent development and incentives

We continued to adhere to our existing talent development policy while establishing a new training system for talent development and attract high quality talents with competitive remuneration system. On the other hand, we have established an effective incentive and appraisal system to motivate the work initiative and enthusiasm of employees.

EMPLOYEE

As at 30 June 2019, our Group had approximately a total of 812 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 2019, the total salary and related cost paid to our employees were approximately RMB52.3 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 2019.

INTERIM DIVIDEND

The Board proposed the declaration of interim dividend of RMB0.075 per share (including tax charge) for the six months ended 30 June 2019 (30 June 2018: RMB0.231 per share (including tax charge)).

The payment of the interim dividend is conditional upon the satisfaction of the following conditions:

(i) the interim dividend having been approved by the Shareholders at the EGM of the Company to be held on 20 November 2019;

(ii) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Interim dividend is paid, unable to pay its debts as they fall due in the ordinary course of business; and

(iii) the compliance with the relevant legal procedures and requirements under the PRC Company Law that are applicable to the interim dividend.

Subject to the fulfilment of the above conditions, it is expected that the interim dividend will be paid in cash on or before 28 February 2020 to those Shareholders whose names appear on the Register of Members of the Company at the close of business on 2 December 2019.

The conditions set out above cannot be waived. If any of the conditions set out above is not satisfied, the interim dividend will not be paid.

DESPATCH OF CIRCULAR AND NOTICE OF EGM

The EGM will be held at Conference Room of Room 2007, 20/F, Gaohe Lanfeng Building (高和藍峰大廈), 98 East Third Ring Road South, Chaoyang District, Beijing, the PRC at 10:00 a.m. on 20 November 2019, to consider and, if appropriate, to approve the declaration and payment of the interim dividend.

A circular providing Shareholders with, among others, information in respect of the declaration and payment of the Interim dividend and the notice of EGM will be despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the Shareholders who qualify for the Interim dividend

For the purpose of determining the Shareholders who qualify for the Interim dividend, the Register of Members will be closed from Tuesday, 26 November 2019 to Monday, 2 December 2019, both days inclusive.

In order to qualify for the Interim dividend, all transfer documents should be lodged for registration with the Company's H Share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 25 November 2019.

(ii) For determining the identity of the Shareholders who are entitled to attend and vote at the EGM

For determining the identity of the Shareholders who are entitled to attend and vote at the EGM, the Register of Members will be closed from Monday, 21 October 2019 to Wednesday, 20 November 2019, both days inclusive.

In order to be eligible to attend and vote at the EGM, all transfer documents should be lodged for registration with the Company's Hong Kong H Share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later 4:30 p.m. on Friday, 18 October 2019.

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 prior to the date of the declaration of dividend and other payments.

CORPORATE GOVERNANCE

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from the Listing Date. Pursuant to code provision A.2.1 of the Corporate Governance Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, Mr. Shi Chunbao currently performs the roles as the chairman and general manager of the Company. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable our Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of our Group, the Board will continue to review and consider whether the duties of the chairman and general manager should be separated.

Save as disclosed above, our Company has complied with all applicable principles and code provisions of the Corporate Governance Code during the six months period ended 30 June 2019.

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 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 2019, 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 2019 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 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.