Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2020

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 2020. 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 Accounting Standards of the People's Republic of China (the "**PRC**").

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET OF THE GROUP

Item	Notes	As at 30 June 2020 RMB	As at 31 December 2019 RMB
Current assets:			
Monetary capital		**458,259,663.53**	464,177,034.53
Held-for-trading financial assets		**–**	–
Financial assets measured at fair value with changes included in current profit and loss		**–**	–
Derivative financial assets		**–**	–
Notes receivable		**84,885,248.75**	91,125,434.24
Accounts receivable	*2*	**232,982,656.84**	161,641,978.16
Prepayment		**14,685,051.06**	15,893,149.87
Other receivables		**613,063.76**	4,357,283.91
Including: Interests receivable		**–**	–
Dividends receivable		**–**	–
Inventories		**192,204,246.27**	191,375,248.49
Contract assets		**–**	–
Assets held-for-sale		**–**	–
Non-current assets due within one year		**–**	–
Other current assets		**8,051,929.90**	6,826,402.79
Total current assets		**991,681,860.11**	935,396,531.99
Non-current assets:			
Debt investments		**–**	–
Available-for-sale financial assets		**–**	–
Other debt investments		**–**	–
Held-to-maturity investments		**–**	–
Long-term receivables		**–**	–
Long-term equity investments		**–**	–
Other investments in equity instruments		**–**	–
Other non-current financial assets		**–**	–
Investment property		**–**	–
Fixed assets		**100,263,577.40**	103,630,798.32
Construction in progress		**57,266,404.10**	52,395,024.57
Productive biological assets		**–**	–
Oil & gas assets		**–**	–
Intangible assets		**102,293,536.05**	103,158,996.78
Development expenditures		**–**	–
Goodwill		**–**	–
Long-term prepayments		**458,333.45**	568,333.43
Deferred income tax assets		**14,151,778.75**	14,164,164.60
Other non-current assets		**3,956,024.04**	–
Total non-current assets		**278,389,653.79**	273,917,317.70
Total assets		**1,270,071,513.90**	1,209,313,849.69

Item	*Notes*	**As at 30 June 2020** *RMB*	As at 31 December 2019 *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		**–**	–
Notes payable		**–**	–
Accounts payable	*3*	**88,287,712.92**	86,403,666.10
Advances received		**17,907,983.47**	5,569,501.39
Contract liabilities		**54,261,532.47**	88,907,576.59
Employee remuneration payable		**13,615,957.59**	23,707,828.46
Taxes payable		**26,527,920.48**	44,606,035.12
Other payables		**43,053,253.16**	39,350,327.75
Including: Interests payable		**–**	–
Dividends payable		**–**	1,500,000.00
Liabilities held-for-sale		**–**	–
Non-current liabilities due within one year		**–**	–
Other current liabilities		**23,189,115.36**	22,507,731.18
Total current liabilities		**266,843,475.45**	311,052,666.59
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		**86,507,189.84**	88,600,151.62
Deferred income tax liabilities		**3,672,661.46**	3,070,394.97
Other non-current liabilities		**–**	–
Total non-current liabilities		**90,179,851.30**	91,670,546.59
Total liabilities		**357,023,326.75**	402,723,213.18

Item	*Notes*	**As at 30 June 2020** ***RMB***	As at 31 December 2019 *RMB*
Shareholders' equity:			
Share capital	*4*	**345,852,000.00**	138,340,800.00
Other equity instruments			
Including: Preferred shares		**–**	–
Perpetual bonds		**–**	–
Capital reserve	*5*	**22,527,980.01**	230,039,180.01
Less: treasury shares		**–**	–
Other comprehensive income		**–**	–
Specific reserve		**–**	–
Surplus reserve	*6*	**64,622,661.83**	64,622,661.83
Undistributed profits	*7*	**480,045,545.31**	373,587,994.67
Total interests attributable to shareholders of the Parent Company		**913,048,187.15**	806,590,636.51
Minority interests		**–**	–
Total shareholders' equity		**913,048,187.15**	806,590,636.51
Total liabilities and shareholders' equity		**1,270,071,513.90**	1,209,313,849.69
Net current assets		**724,838,384.66**	624,343,865.40
Total assets less current liabilities		**1,003,228,038.45**	898,261,183.10

CONSOLIDATED INCOME STATEMENT OF THE GROUP

Item		Notes	Six months ended 30 June **2020** *RMB*	2019 *RMB*
I.	**Revenue**	*8*	**406,990,258.22**	374,983,818.92
	Less: Cost of sales	*8*	**118,878,053.93**	120,991,634.02
	Taxes and levies		**3,268,600.54**	2,403,344.31
	Selling expenses		**104,500,796.96**	95,145,173.02
	Administrative expenses		**12,602,082.24**	10,205,274.76
	Research and development expenses		**31,583,164.61**	25,782,253.80
	Finance expenses		**(4,317,198.07)**	(1,690,978.15)
	Including: Interest expenses			
	Interest proceeds		**3,653,938.19**	3,135,056.54
	Add: Other gains		**5,016,829.97**	1,537,833.81
	Investment income/(loss)		**–**	–
	Including: Investment income from associates and joint ventures		**–**	–
	Income/(loss) from derecognisation of financial assets at amortised cost		**–**	–
	Net profit/(loss) on hedging exposure		**–**	–
	Gains/(losses) on changes of fair value		**–**	–
	Loss on credit impairment		**(4,711,150.21)**	(1,199,289.98)
	Loss on asset impairment		**(148,055.49)**	–
	Gains/(losses) on disposal of assets		**29.74**	(67,826.39)
II.	**Operating profit/(loss)**		**140,632,412.02**	122,417,834.60
	Add: Non-operating income		**79,253.82**	2,380.00
	Less: Non-operating expenses		**25,983.91**	10,000.00
III.	**Gross profit/(loss)**		**140,685,681.93**	122,410,214.60
	Less: income tax expenses	*9*	**23,852,571.29**	13,221,001.44

Item		Notes	Six months ended 30 June **2020** ***RMB***	 2019 *RMB*
IV.	**Net profit/(net loss)**		**116,833,110.64**	109,189,213.16
	(I) Classified by continuity of operation:			
	1. Net profit for continuing operation		**116,833,110.64**	109,189,213.16
	2. Net profit for ceased operation		**–**	–
	(II)Classified by ownership:			
	1. Net profit attributable to the shareholders of the parent company		**116,833,110.64**	109,189,213.16
	2. Non-controlling shareholders' profit or loss		**–**	–
V.	**Net other comprehensive income after tax**			
	Net other comprehensive income after tax attributable to the shareholders of the parent company		**–**	–
	Net other comprehensive income after tax attributable to non-controlling shareholders		**–**	–
VI.	**Total comprehensive income**		**116,833,110.64**	109,189,213.16
	Total comprehensive income attributable to the shareholders of the parent company		**116,833,110.64**	109,189,213.16
	Total comprehensive income attributable to non-controlling shareholders		**–**	–
VII.	**Earnings per share**			
	(I) Basic earnings per share	*10*	**0.34**	0.32
	(II)Diluted earnings per share	*10*	**0.34**	0.32

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, 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 2020 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 2020, the Group has adopted all of the new and revised CASBE issued by the MOF that are effective as of 30 June 2020.

- ASBE No. 21 – Lease (the MOF issued the amendments in December 2018)

- 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	For which bad debt provision is assessed on a grouping basis	Credit risk group	Sub-total	Not individually significant but for which provision is individually assessed	Total
As at 31 December 2019							
Carrying amount	Amount *(RMB)*	–	181,637,104.18	181,637,104.18	181,637,104.18	–	181,637,104.18
	Percentage *(%)*	–	100.00	100.00	100.00	–	100.00
Provision	Amount *(RMB)*	–	19,995,126.02	19,995,126.02	19,995,126.02	–	19,995,126.02
	Percentage *(%)*	–	11.01	11.01	11.01	–	11.01
Net amount		–	161,641,978.16	161,641,978.16	161,641,978.16	–	161,641,978.16
As at 30 June 2020							
Carrying amount	Amount *(RMB)*	–	257,890,090.85	257,890,090.85	257,890,090.85	–	257,890,090.85
	Percentage *(%)*	–	100.00	100.00	100.00	–	100.00
Provision	Amount *(RMB)*	–	24,907,434.01	24,907,434.01	24,907,434.01	–	24,907,434.01
	Percentage *(%)*	–	9.66	9.66	9.66	–	9.66
Net amount		–	232,982,656.84	232,982,656.84	232,982,656.84	–	232,982,656.84

Credit risk characteristics group:

Aging	As at 30 June 2020			As at 31 December 2019		
	Carrying amount		Provision	Carrying amount		Provision
	Amount	Percentage		Amount	Percentage	
	RMB	%	*RMB*	*RMB*	%	*RMB*
Within one year	**232,135,884.47**	**90.01**	**11,606,794.22**	162,741,929.10	89.60	8,137,096.46
1 to 2 years	**13,354,083.32**	**5.18**	**2,003,112.50**	6,284,887.18	3.46	942,733.08
2 to 3 years	**2,205,191.54**	**0.86**	**1,102,595.77**	3,389,982.85	1.87	1,694,991.43
More than 3 years	**10,194,931.52**	**3.95**	**10,194,931.52**	9,220,305.05	5.08	9,220,305.05
Total	**257,890,090.85**	**100.00**	**24,907,434.01**	181,637,104.18	100.00	19,995,126.02

Note: The aging analysis of accounts receivable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

3 ACCOUNTS PAYABLE

Item	As at 30 June 2020 *RMB*	As at 31 December 2019 *RMB*
Purchasing of materials	**73,641,250.62**	66,176,334.78
Purchasing of machinery and equipment	**14,646,462.30**	20,227,331.32
Total	**88,287,712.92**	86,403,666.10

Aging analysis of accounts payable is as follows:

Item	As at 30 June 2020 *RMB*	As at 31 December 2019 *RMB*
Within one year	**84,954,787.24**	81,576,425.16
1 to 2 years	**2,388,216.33**	3,942,335.21
2 to 3 years	**159,900.65**	231,606.99
More than 3 years	**784,808.70**	653,298.74
Total	**88,287,712.92**	86,403,666.10

Note: The aging analysis of accounts payable is based on the month in which the amount actually occurs. The amount which occurs first has priority in settlement.

4 SHARE CAPITAL

Name	**As at 30 June 2020** *RMB*	As at 31 December 2019 *RMB*
Mr. Shi Chunbao	**113,685,435.00**	48,474,174.00
Ms. Yue Shujun	**95,447,900.00**	39,179,160.00
Pan Mao (Shanghai) Investment Center (L.P.)* (磐茂（上海）投資中心（有限合夥）)	**17,250,000.00**	–
Mr. Sun Weiqi	**4,416,665.00**	3,466,666.00
Mr. Jin Jie	**4,166,665.00**	2,666,666.00
Mr. Lin Yiming	**5,800,000.00**	2,320,000.00
Pan Xin (Shanghai) Investment Center (L.P.)* (磐信（上海）投資中心（有限合夥）)	**2,500,000.00**	–
Ms. Wang Haiya	**2,333,335.00**	1,333,334.00
Mr. Huang Dong	**2,533,335.00**	1,013,334.00
Mr. Ni Xuezhen	**–**	800,000.00
Mr. Zhang Zhaohui	**1,333,330.00**	533,332.00
Mr. Chen Xusheng	**533,335.00**	213,334.00
Overseas listed foreign shares	**95,852,000.00**	38,340,800.00
Total	**345,852,000.00**	138,340,800.00

At the end of reporting period, the share capital of the Company is RMB345,852,000.00, representing 250,000,000 domestic shares and 95,852,000.00 H shares with a nominal value of RMB1.00 each in the Company. On 9 April 2020, the extraordinary general meeting passed the capitalisation of the Company's capital reserve as at 30 June 2019 into the Company's ordinary shares by poll, on the basis of fifteen (15) capitalisation shares allotted and issued for every ten (10) shares held by the shareholders whose names appear on the register of members of the Company on the record date.

5 CAPITAL RESERVE

Item	**As at 30 June 2020** *RMB*	As at 31 December 2019 *RMB*
Capital premium	**20,727,980.01**	228,239,180.01
Other capital reserve	**1,800,000.00**	1,800,000.00
Total	**22,527,980.01**	230,039,180.01

6 SURPLUS RESERVE

Item	**As at 30 June 2020** *RMB*	As at 31 December 2019 *RMB*
Statutory surplus reserve	**64,622,661.83**	64,622,661.83

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 2020** *RMB*	As at 31 December 2019 *RMB*
Closing balances of the preceding year	**373,587,994.67**	287,889,810.26
Opening balances of the current year	**373,587,994.67**	287,889,810.26
Add: Net profit attributable to equity owners of the Company	**116,833,110.64**	236,761,397.82
Less: Transfer to statutory reserve fund	**–**	23,582,166.21
Declaration of dividend	**10,375,560.00**	58,310,647.20
Dividend of ordinary shares transferred to share capital	**–**	69,170,400.00
Closing balances of the current year	**480,045,545.31**	373,587,994.67

Declaration of dividend

Pursuant to the resolution passed at the meeting of the Board of Directors held on 23 January 2020 and the resolution passed at the extraordinary general meeting held on 9 April 2020, a special dividend in respect of 2019 of RMB0.075 per share (including tax charge), amounting to RMB10,375,560 was declared.

8 REVENUE AND COST OF SALES

Item	**Six months ended 30 June**	
	2020 *RMB*	2019 *RMB*
Revenue from principal operation	**406,783,344.54**	374,799,625.32
Revenue from other operations	**206,913.68**	184,193.60
Cost of sales	**118,878,053.93**	120,991,634.02

Revenue and cost of sales (classified by products)

Item	**Six months ended 30 June**	
	2020 *RMB*	2019 *RMB*
Revenue		
Revenue from principal operation:		
– Medical Surgical Implants	**406,783,344.54**	374,799,625.32
Cost of sales		
Cost of sales for principal operation:		
– Medical Surgical Implants	**118,708,181.35**	120,700,996.06

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** **2020** ***RMB***	2019 *RMB*
The PRC	**371,320,222.01**	351,729,383.98
Other than the PRC	**35,463,122.53**	23,070,241.34
Total	**406,783,344.54**	374,799,625.32

9 INCOME TAX EXPENSES

Item	**Six months ended 30 June** **2020** ***RMB***	2019 *RMB*
Current income tax calculated in accordance with relevant tax laws and regulations	**23,237,918.95**	13,576,041.71
Deferred income tax	**614,652.34**	(355,040.27)
Total	**23,852,571.29**	13,221,001.44

Applicable tax rate

Item	**Six months ended 30 June** **2020**	2019
Standard tax rates:		
The Company	**25%**	25%
Zhao Yi Te	**25%**	25%
Chunli Hangnuo	**25%**	25%
Applicable tax rates:		
The Company	**15%**	15%
Zhao Yi Te	**5%**	5%
Chunli Hangnuo	**25%**	25%

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

Item	Six months ended 30 June 2020 *RMB*	2019 *RMB*
Profit before tax	**140,685,681.93**	122,410,214.60
Income tax expenses based on statutory/applicable tax rate	**21,102,852.29**	18,361,532.19
Effect of different tax rate applicable to subsidiaries	**111,654.85**	(79,494.41)
Effect of prior income tax reconciliation	**5,791,561.66**	(2,527,055.72)
Effect of non-deductible costs, expenses and losses	**351,485.86**	276,587.49
Effect of using the deductible temporary differences or deductible losses of previously unrecognized deferred income tax assets	**(97,420.98)**	–
Effects of additionally deductible research and development costs and others	**(3,512,417.80)**	(2,900,503.56)
Effect of deducible temporary differences or deducible losses not recognized in the current period	**104,855.41**	89,935.46
Income tax expenses	**23,852,571.29**	13,221,001.44

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

Calculation result

Item	Six months ended 30 June 2020 *RMB*	2019 *RMB*
Earnings per share		
Net profit attributable to equity owners of the Company	**0.34**	0.32
Diluted earnings per share		
Net profit attributable to equity owners of the Company	**0.34**	0.32

Note: The bonus issue was passed at the extraordinary general meeting in the reporting period. The earnings per share for the same period of last year were recalculated according to the Accounting Standards for Business Enterprises – Earnings per Share.

Calculation process of basic earnings per share

		Six months ended 30 June	
		2020	2019
Net profit attributable to equity owners of the Company *(RMB)*	*A*	**116,833,110.64**	109,189,213.16
Number of shares at beginning of the year	*B*	**345,852,000.00**	345,852,000.00
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*	**345,852,000.00**	345,852,000.00
Basic earnings per share (RMB)	*F=A/E*	**0.34**	0.32

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.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, the novel coronavirus pneumonia (COVID-19) broke out across the globe. Many provincial drug regulatory authorities in the PRC promptly initiated the emergency approval procedures for medical devices, and conducted emergency approvals for medical devices urgently needed for the prevention and control of COVID-19. On 5 March 2020, the Central Committee of the Communist Party of China and the State Council formally issued the Opinion on Deepening the Reform of the Medical Security System (《關於深化醫療保障制度改革的意見》) (the "**Opinion**"), proposing to deepen the reform of the centralized volume-based procurement system for drugs and medical consumables. According to the Opinion, tender and procurement shall be integrated, volume and price shall be linked, and centralized volume-based procurement shall be fully implemented for drugs and medical consumables; provincial bidding and procurement platforms integrating bidding, procurement, transaction, settlement and supervision functions shall be established based on payment through medical insurance, and regional and national alliance-based procurement mechanism shall be constructed to develop a supply guarantee system with sufficient competition, reasonable price and standardized and orderly operation. After the Opinion was issued, many provinces promulgated the implementation measures for the volume-based procurement of medical consumables or the relevant drafts for soliciting opinions.

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 National Medical Products Administration ("**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 the numbers and types of certificates.

In May 2020, we obtained BIOLOX®OPTION ceramic head product with cone sleeve, and became the first company in the PRC to own the registration certificate for such ceramic head. As at 30 June 2020, we held 24 medical device registration certificates and recordation certificates in the PRC for the production of medical devices which cover joint prosthesis products for the four major joints, spinal products and sports medical products, of which 12 are Class III medical device registration certificates, 1 is Class II medical device registration certificate and 11 are Class I medical device recordation certificates. As the PRC adopts a strict product registration system for medical device manufacturing enterprises, the possession of comprehensive product registration certificates and recordation certificates is the key factor for enterprises to be more competitive in the market.

In the first half of 2020, we obtained product registration certificates in Philippines and Saudi Arabia. Meanwhile, our anterior cervical vertebrae fixation system, CF posterior spine fixation system, inter-body fusion cage and posterior cervical vertebrae fixation system, hip joint products and knee joint products (the "**Products**") successfully obtained the EC certification from the European Union, which indicates that the Company has implemented a number of quality assurance systems required in the European guidelines regarding the design, manufacturing and final inspection of the Products. The EC certificates not only serve as a proof of the qualified performance and the safety of these Products, but also demonstrate that the Company enjoys international leading technical advantages. The possession of these registration certificates is a guarantee for our continuous growth in international sales and a manifestation of the Company's 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, spinal products and sports medical 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 and spinal fusion systems, including series of fixation systems in anterior and posterior cervical, thoracic and lumbar vertebrae, series of fusion products for cervical, thoracic and lumbar vertebrae, and our sports medical products are non-absorbable suture anchors. 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 strategic value). Our research and development team consists of professionals who are post-doctoral researchers or possess Doctorate 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 prosthesis products developed by us for the purpose of the provision of clinical data for improvements in joint prosthesis 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 prosthesis 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 the 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.

In June 2020, the "Porous Tantalum Bone Repair Material and Implantable Product Development and Clinical Application" project (the "**Project**") that the Company took the lead in the application was approved by the Ministry of Science and Technology of the PRC as a key special project under the 2020 National Key Research and Development Program – "Research and Development of Bio-medical Materials and Repair and Replacement of Tissues and Organs". This project is carried out by our Company in conjunction with renowned universities, scientific research institutes, clinical hospitals and enterprises in the PRC, which will promote the synergy and innovation of production, academics, research and development and clinical studies, and accelerate the introduction of our Company's high-end medical devices to the market.

As of 30 June 2020, the first post-doctoral researcher was enrolled in the Company's post-doctoral research workstation, marking the entry into the post-doctoral research stage. Under the support of a post-doctoral research workstation at national level, the Company will improve the comprehensive strength of the research and development team, step up the development of high-end medical device products, and promote the launch of new products.

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 May 2020, our Company's BIOLOX®OPTION ceramic head product with cone sleeve was approved and launched into the market, making it the first company in the PRC to have the registration certificate for such ceramic head. For the BIOLOX®OPTION ceramic head with cone sleeve, the exterior is a ceramic ball head made of BIOLOX®*delta* high-tech ceramics with excellent wear performance, and the interior is a Ti6Al4V titanium alloy cone sleeve. It can be used for primary hip joint replacement and revision surgery, and significantly improves the surgical indications of ceramic ball heads, thus promoting the sales of our Company's high-end ceramic hip joint prostheses.

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 prosthesis products, the growth of which contributed to the sales amount and enhanced the Company's brand as a whole.

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 38 countries and regions in Asia, South America, Africa, Oceania and Europe under the brand name of "春立 Chunli".

FINANCIAL REVIEW

Operating revenue

Our revenue increased by 8.54% from approximately RMB375.0 million for the six months ended 30 June 2019 to approximately RMB407.0 million for the six months ended 30 June 2020, which was mainly attributable to the growth in the sales volume of joint prosthesis products.

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
	2020	2019	
	(RMB'000)	*(RMB'000)*	
Joint prosthesis products	**397,707**	369,438	**7.65%**
Spinal products	**9,076**	5,362	**69.27%**
Other businesses	**207**	184	**12.50%**
Total	**406,990**	374,984	**8.54%**

Joint prosthesis products

Joint prosthesis products increased by 7.65% from approximately RMB369.4 million for the six months ended 30 June 2019 to approximately RMB397.7 million for the six months ended 30 June 2020, which was mainly attributable to the increase in ceramic joint prosthesis products.

We are the first enterprise in China to obtain a 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. Ceramic joint prosthesis products experienced growth with the gradual advancement of the tendering, supplementary tendering or hospital registration process in which our ceramic joint prosthesis products have participated in various provinces.

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 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 13.43% from approximately RMB254.0 million for the six months ended 30 June 2019 to approximately RMB288.1 million for the six months ended 30 June 2020, which was mainly attributable to the growth in the sales of joint prosthesis products.

Gross profit margin increased from 67.7% for the six months ended 30 June 2019 to 70.79% for the six months ended 30 June 2020, which was mainly attributable to 1) the strengthening in bargaining power for procurement leading to a decrease in price for raw material and semi-finished products; and 2) mass production by the Company leading to the relative decrease in fixed cost.

Selling expenses

Our selling expenses increased from approximately RMB95.1 million for the six months ended 30 June 2019 to approximately RMB104.5 million for the six months ended 30 June 2020. The increase in selling expenses was mainly attributable to 1) the increase in number of sales staff as a result of the expansion in business scale, which led to the increase in employee remuneration accordingly; and 2) the greater marketing efforts made and the active participation or organization of exhibitions, meetings, academy forums and other online or offline promotion activities to enhance the brand influence and awareness of the Company.

Administrative expenses

Our administrative expenses increased by 23.53% from approximately RMB10.2 million for the six months ended 30 June 2019 to approximately RMB12.6 million for the six months ended 30 June 2020, which was primarily due to the increase in the remunerations of the management personnel and the fees paid to intermediaries.

Research and development expenses

Our research and development expenses increased from approximately RMB25.8 million for the six months ended 30 June 2019 to approximately RMB31.6 million for the six months ended 30 June 2020. Our research and development expenses in the first half of 2020 accounted for 7.76% of the revenue. It was mainly attributed to the continued increase in the investments for the argumentation of research and development projects, research and development staff and material consumption in line with the great importance attached by the Company to the research and development of new products, new technologies and new processes.

Impairment loss of credits

Our impairment loss of credits increased from approximately RMB1.2 million for the six months ended 30 June 2019 to approximately RMB4.7 million for the six months ended 30 June 2020, which was mainly attributable to the increase in our sales income and accounts receivable and the provision made for the impairment of accounts receivable according to the policy for bad debt provision.

Income tax expenses

Our income tax expenses increased from approximately RMB13.2 million for the six months ended 30 June 2019 to approximately RMB23.9 million for the six months ended 30 June 2020, which was mainly attributable to the increase in the profit of our business in January to June 2020.

Net profit

Our net profit increased from approximately RMB109.2 million for the six months ended 30 June 2019 to approximately RMB116.8 million for the six months ended 30 June 2020, which was mainly attributable to the growth in our revenue.

Liquidity and capital resources

Our liquidity decreased by 1.27% from approximately RMB464.2 million as at 31 December 2019 to approximately RMB458.3 million as at 30 June 2020.

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 2020 *(RMB million)*	Outstanding amount as of 30 June 2020 *(RMB million)*
First-installment expense for the development of Daxing New Production Base	50%	92.93	22.46	70.47
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	9.93	27.25
Working capital and other general corporate purposes	9.80%	18.21	18.21	0.00
Total	100%	185.86	51.40	134.46

Inventory

Our inventory increased from approximately RMB191.4 million as of 31 December 2019 to approximately RMB192.2 million as of 30 June 2020, which was mainly attributable to the increase in sales volume and reserve of inventory according to market needs.

Fixed assets and construction in progress

Our fixed assets and construction in progress increased by 0.96% from approximately RMB156.0 million as of 31 December 2019 to approximately RMB157.5 million as of 30 June 2020, which was mainly attributable to the acquisition of product facilities and the increase in construction expenses in January to June 2020.

Net current assets

Our net current assets increased by 16.1% from approximately RMB624.3 million as at 31 December 2019 to approximately RMB724.8 million as of 30 June 2020, which was mainly attributable to the increase in accounts receivable and the decreases in contract liabilities and tax payable.

Working capital and financial resources

Cash flow analysis

As at 30 June 2020, our net cash inflows generated from operating activities was approximately RMB23.4 million, which was mainly attributable to the cash received from the sales of goods; our net cash outflows generated from investing activities was approximately RMB17.8 million, which was mainly attributable to the acquisition of fixed assets and construction in progress; our net cash outflows generated from financing activities was RMB11.9 million, which was mainly attributable to the payment of dividend; and our cash and cash equivalents decreased by approximately RMB5.9 million as compared with that as at 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 2020, 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 optimise 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 joint prosthesis products, knee joint prosthesis products, spinal products and sports medical 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. Meanwhile, the relevant regulations issued by the NMPA in 2019 are also more conducive to the development of customized prostheses. We will take this opportunity to promote the rapid development of patents for customized and individualized products.

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, spinal products and sports medical 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, under the support of the academician and expert workstation, post-doctoral scientific research workstation and Beijing Enterprise Technology Centre, we will focus on cultivating the research and development standards and innovation capabilities of research and development personnel, while continuously optimising the allocation of research and development resources and iterating on corporate innovation mechanism. We can also take advantage of Beijing Enterprise Technology Centre, post-doctoral scientific research and development workstation and academician and expert workstation to strengthen cooperation with renowned medical institutions in the PRC in order to enhance our professional knowledge, 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 2020, our Group had approximately a total of 910 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 2020, the total salary and related cost paid to our employees were approximately RMB65.7 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 throughout the period for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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 throughout the period for the six months ended 30 June 2020.

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 period for the six months ended 30 June 2020.

REVIEW OF INTERIM 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 six months ended 30 June 2020, including the accounting principles and practices applied.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM 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 2020 Interim Report containing all such information as required under the Listing Rules will be dispatched to the shareholders of the Company in due course 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, 20 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Shi Chunbao, Ms. Yue Shujun and Mr. Xie Feng Bao; the non-executive director of the Company is Mr. Wang Xin; and the independent non-executive directors of the Company are Mr. Ge Changyin, Mr. Weng Jie and Mr. Ho Wai Ip.

* *For identification purposes only*