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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)**

**PROPOSED A SHARE OFFERING  
AND  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND INTERNAL MANAGEMENT POLICIES**

**PROPOSED A SHARE OFFERING**

Reference is made to the announcements of the Company dated 3 November 2015 and 22 April 2020 in relation to the A Share Offering. The Board wishes to provide an update in relation to the A Share Offering and is pleased to announce that at the meeting of the Board held on 5 June 2020, the Company proposed to submit its application for A Share Offering to the CSRC, relevant stock exchange in the PRC and other relevant regulatory authorities. The A Share Offering is subject to (among others) approval by Shareholders at the EGM and the Class Meetings, and approval from the CSRC, relevant stock exchange in the PRC and other relevant regulatory authorities.

**OTHER RESOLUTIONS RELATING TO THE A SHARE OFFERING**

The Board also passed other relevant resolutions in relation to the A Share Offering at the meeting of the Board held on 5 June 2020, including, among other things: (1) proposal on the use of proceeds from the Company's A Share Offering and feasibility analysis; (2) proposal on distribution of accumulated profits before the A Share Offering; (3) proposal on undertakings in connection with the matters about A Share Offering and corresponding restrictive measures; (4) proposal on the analysis on the remedies to impacts of the dilution of current return as a result of the A Share Offering and the responsive measures; (5) proposal on the three-year shareholder dividend return plan after the A Share Offering; (6) proposal on granting authorization to the Board and its authorized representatives to fully handle the specific matters in relation to the A Share Offering; (7) proposed amendments to the Articles of Association; and (8) proposed amendments to certain internal management policies.

## GENERAL

The Company will convene the EGM and the Class Meetings (where applicable) to seek approval from the Shareholders for certain proposals of the above proposals. A circular containing, among other things, the date, time and location of the EGM and the Class Meetings, and details of the above proposals will be despatched to the Shareholders in due course.

**The A Share Offering is subject to certain conditions, including but not limited to the prevailing market conditions, the Shareholders' approval at the EGM and the Class Meetings, as well as the approvals of the CSRC, the relevant stock exchange in the PRC and/or other relevant regulatory authorities, and accordingly, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares or other securities of the Company.**

## I. INTRODUCTION

Reference is made to the announcements of the Company dated 3 November 2015 and 22 April 2020 in relation to the A Share Offering. The Board wishes to provide an update in relation to the A Share Offering and is pleased to announce that at the meeting of the Board held on 5 June 2020, the Company proposed to submit its application for A Share Offering to the CSRC, the relevant stock exchange in the PRC and other relevant regulatory authorities. The A Share Offering is subject to (among others) approval by Shareholders at the EGM and the Class Meetings, and approval from the CSRC, relevant stock exchange in the PRC and other relevant regulatory authorities.

## II. PROPOSED A SHARE OFFERING

The details of the A Share Offering are as follows:

1. Class of Shares to be issued: Shares to be issued are domestic listed ordinary shares denominated in RMB (A Shares).
2. Nominal value of Shares: RMB1.00 per Share.
3. Number of Shares to be issued: The number of A Shares proposed to be issued will not exceed 38,428,000 A Shares representing no more than 10% of the total share capital of the Company upon the completion of the issuance. The Company and the lead underwriter can exercise the over-allotment option and the number of Shares to be over-allocated shall not exceed 15% of the size of the A Share Offering. The specific number of A Shares to be issued will be determined by the Board based on the authorization granted at the EGM and the Class Meetings and the negotiation with lead underwriters based on specific circumstances and the final number of total issued A Shares shall be subject to the limit approved by the CSRC. All of the A Shares to be issued are new Shares and does not involve the transfer of existing Shares.

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|------------------------------------|--|
| 4. Pricing methodology:            | The issue price will be determined by making enquiries with offline investors, or by the Company and the lead underwriter(s) after negotiation, or by such other methods as permitted by the CSRC and other relevant regulatory authorities.                               |
| 5. Method of issue:                | The A Share Offering will be conducted by a combination of offline placement and online subscription, or such other method(s) of issue as permitted by the CSRC and other relevant regulatory authorities, with reference to market conditions and other relevant factors. |
| 6. Target of subscribers:          | Investors who are in compliance with the requirements under PRC laws, regulations and regulatory documents.  |
| 7. Form of underwriting:           | The A Share Offering will be underwritten by the lead underwriter(s) on a standby commitment basis.  |
| 8. Place of listing:               | Shanghai Stock Exchange or Shenzhen Stock Exchange.  |
| 9. Valid period of the resolution: | The A Share Offering shall be subject to approval by shareholders at the EGM and the Class Meetings. Upon approval, the proposed A Share Offering shall be valid for 12 months from the date of passing of the relevant resolutions at the EGM and the Class Meetings.     |

The A Share Offering is subject to approval by Shareholders at the EGM and the Class Meetings and approval by the CSRC, the relevant stock exchange in the PRC and other relevant regulatory authorities. Upon the completion of the A Share Offering, the Company will apply for the conversion into a joint stock company with limited liability with domestic and overseas listed shares. The Domestic Shares in issue will be converted into A Shares upon the completion of A Share Offering. Further, the proposed A Share Offering will be made pursuant to the specific mandate to be sought at the EGM and at the Class Meetings, which shall become effective upon approval by the Shareholders at the EGM and at the Class Meetings.

The Company shall promptly make further disclosure in accordance with the Listing Rules and other applicable laws and regulations in the event that any of the above details in relation to the above proposed A Share Offering is updated or finalized.

### **III. OTHER RELEVANT RESOLUTIONS RELATING TO THE A SHARE OFFERING**

The Board also passed other relevant resolutions in relation to the A Share Offering at the meeting of the Board held on 5 June 2020, including, among other things:

- (1) proposal on the use of proceeds from the Company's A Share Offering and feasibility analysis;
- (2) proposal on distribution of accumulated profits before the A Share Offering;
- (3) proposal on undertakings in connection with the matters about the A Share Offering and corresponding restrictive measures;
- (4) proposal on the analysis on the remedies to impacts of the dilution of current return as a result of the A Share Offering and the responsive measures;
- (5) proposal on the three-year shareholder dividend return plan after the A Share Offering;
- (6) proposal on granting authorization to the Board and its authorized representatives to fully handle the specific matters in relation to the A Share Offering;
- (7) proposed amendments to the Articles of Association; and
- (8) proposed amendments to certain internal management policies.

The following summarises the contents of the relevant resolutions, details of which will be set out in the circular to be despatched to the Shareholders in due course.

#### **(1) Proposal on the use of proceeds from the Company's A Share Offering and feasibility analysis**

The proceeds raised from the A Share Offering (net of related expenses) will be used for the integrated construction project of orthopedic implant and ancillary materials, the construction project of research and development centre, the construction project of marketing networks and supplementary liquidity. The smooth implementation of the said projects can allow us to capture the domestic and overseas market demands, enrich the product structures, optimize the product deployment, enhance the risk-averse capacity, improve the integrated competence and profitability of the Company, as well as securing the long-term development in the future.

The total investment amount required for the above projects is approximately RMB2 billion. If there is any shortfall in funding these projects by the proceeds in the A Share Offering, the Company will fund such shortfall by its own funds or bank loans. If the actual proceeds raised from the A Share Offering are more than the amount required for the above projects, the excess portion will be used in the development of the Company's main business or to supplement the working capital of the Company. Before the proceeds raised from the A Share Offering are in place, the Company may make an initial investment to the above projects with its own funds or bank loans according to the market conditions, and after the proceeds raised are in place, the Company can replace the initial investment funds.

Details of the use of proceeds from the A Share Offering and the feasibility analysis shall be set out in the circular to be timely despatched to the Shareholders.

This proposal is subject to approval by way of special resolution at the EGM and the Class Meetings, respectively.

**(2) Proposal on distribution of accumulated profits before the A Share Offering**

The undistributed accumulated profits of the Company before the A Share Offering should be distributed among all new and existing Shareholders according to their respective shareholdings following the A Share Offering.

This proposal is subject to approval by way of special resolution at the EGM and the Class Meetings, respectively.

**(3) Proposal on undertakings in connection with the matters about the A Share Offering and corresponding restrictive measures**

For the purpose of protecting the interest of investors, pursuant to the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), the Measures for the Administration of Initial Public Offerings and Listing of Shares (《首次公開發行股票並上市管理辦法》), the Opinions of the CSRC on Further Promoting the Reformation of New Share Offering System (《中國證監會關於進一步推進新股發行體制改革的意見》) formulated by the CSRC, and other relevant regulatory requirements of the relevant stock exchange in the PRC, the Company made relevant undertakings in relation to the A Share Offering, and formulated certain restrictive measures in the event that the Company is unable to fulfil such undertakings. The major contents of the undertakings and restrictive measures are as follows: the undertakings on no fraudulent issuance in the A Share Offering of the Company, the absence of false representation, misleading statement and material omission in the prospectus for the application for the A Share Offering and listing of the A Shares in the PRC, the proposal for price stabilisation within three years after the A Share Offering and the restrictive measures upon non-fulfilment of such undertakings.

This proposal is subject to approval by way of ordinary resolution at the EGM and the Class Meetings, respectively.

**(4) Proposal on the analysis on the remedies to impacts of the dilution of current return as a result of this the A Share Offering and the responsive measures**

In accordance with the requirements of relevant laws and regulations, such as the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》), Opinions of the Office of State Council on Further Strengthening the Protection of Legal Interests of Small and Medium Investors in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the Guidelines on Matters relating to Dilution of Current Returns of Initial Offering and Re-financing and Major Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Board of the Company formulated the “Analysis on the Impacts of the Dilution of Current Return as a Result of the A Share Offering and the Remedial Measures” (《填補本次公開發行股票攤薄即期回報的影響分析及應對措施》) to protect investors’ interest.

This proposal is subject to approval by way of ordinary resolution at the EGM and the Class Meetings, respectively.

**(5) Proposal on the three-year shareholder dividend return plan after the A Share Offering**

According to the CSRC’s Decisions on Amending Some Provisions on Cash Dividends by Listed Companies (《關於修改上市公司現金分紅若干規定的決定》) and other relevant laws and regulations and the relevant provision of the Articles of Associated as applicable after the A Share Offering, and in order to optimize the provisions in relation to profit distribution, and enhance the transparency and implementations of dividend distribution policy for Shareholders to supervise over the operation and appropriation of profits of the Company, the Company formulated the “Three-year Shareholder Dividend Return Plan after the A Share Offering of Beijing Chunlizhengda Medical Instruments Co., Ltd.” (《北京市春立正達醫療器械股份有限公司上市後前三年股東分紅回報規劃》).

This proposal is subject to approval by way of ordinary resolution at the EGM and the Class Meetings, respectively.

**(6) Proposal on granting authorization to the Board and its authorized representatives to fully handle the specific matters in relation to the A Share Offering**

The Board proposed to approve granting authorization to the Board and its authorized representatives to fully handle the Company's application for the A Share Offering and related specific matters at the EGM and Class Meetings, respectively. The content and scope of the authorization include, but are not limited to:

- a) in accordance with the laws, regulations, relevant regulatory requirements of the CSRC, relevant stock exchange in the PRC and other relevant regulatory authorities and the resolutions approved by the EGM and/or the Class Meetings, to determine, adjust and implement, in collaboration with the sponsor (lead underwriter(s)), the detailed proposal on the A Share Offering (including but not limited to the timing of the A Share Offering, the final number of A Shares to be issued, the final issue price and methods of issue, etc.);
- b) to appoint the relevant intermediaries and determine their professional fees;
- c) to determine the stock exchange and sector of listing by taking into account the actual situation of the Company and after consulting with the relevant authorities;
- d) to prepare, sign, deliver and amend the documents and to sign material contracts relating to the A Share Offering in accordance with relevant laws, regulations and requirement of relevant regulatory departments;
- e) to make appropriate adjustments to specific arrangements of the use of proceeds and investment projects in accordance with relevant laws, regulations and the requirement of the government competent authorities;
- f) upon the approval of the CSRC in respect of the A Share Offering and its listing, to revise the relevant provisions of the Articles of Association in accordance with the actual circumstances of the A Shares Offering;



- g) to handle matters in relation to the initial registration of the A Shares, the listing and circulation of the A Shares on the relevant stock exchange in the PRC, the circulation lock-up matters and other related matters after the completion of the A Share Offering;
- h) to handle matters relating to the registration filing in relation to the A Share Offering; and
- i) to handle other matters relating to the A Share Offering and the listing of the A Shares.

The valid period of the authorization is 12 months from the date of passing of the resolution at the EGM and Class Meetings.

This proposal is subject to approval by way of special resolution at the EGM and the Class Meetings, respectively.

**(7) Proposed amendments to the Articles of Association**

In accordance with the relevant laws and regulations of the PRC, the Board proposes to make certain amendments to the Articles of Association upon the listing of the A Shares. The proposed amendments to the Articles of Association are subject to the approval of the Shareholders at the EGM and the Class Meetings, and will come into effect upon the listing of the A Shares.

This proposal is subject to approval by way of special resolution at the EGM and the Class Meetings, respectively.

**(8) Proposed amendments to certain internal management policies**

To further optimise the corporate governance structure of the Company for the purpose of the A Share Offering, the Board proposes to amend and adopt a total number of 26 internal management policies, including, but not limited to:

- a) rules of procedures of the general meetings;
- b) rules of procedures of the Board meetings;
- c) management measures for use of proceeds;
- d) management measures for information disclosure matters;
- e) management measures for provision of external guarantees;
- f) working systems for independent directors;



- g) measures for administration of related party transactions;
- h) management system for regulating fund transactions between related parties;
- i) investor relations management system;
- j) external investment management system;
- k) implementing rules of the cumulative voting system;
- l) internal control system; and
- m) internal audit system.

Besides, the Company has agreed with the proposal regarding the amendments to the rules of procedures of the meeting of Supervisory Committee at the meeting of the Supervisory Committee convened on 5 June 2020.

The proposed amendments to certain of the above internal management policies of which 14 resolutions in total, such as rules of procedures of the general meetings, rules of procedures of the Board meetings, management measures for use of proceeds, management measures for information disclosure matters, external investment management system, are subject to the approval of the Shareholders at the EGM by way of ordinary resolution, and will come into effect upon the listing of the A Shares.

#### **IV. BENEFITS OF AND REASONS FOR THE PROPOSED A SHARE OFFERING**

The Directors consider that the A Share Offering will enhance the corporate image of the Company, further broaden the Company's funding channels and increase the Company's working capital and recognitions of capital market by attracting large institutional and medium and small investors. The Directors also believe that the A Share Offering will be beneficial to the Company's business growth, financing flexibility and business development, and be beneficial to obtain more financial resources and improve the competitiveness of the Company, and be beneficial to the long term development of the Company.

The Directors consider that the A Share Offering is in the interests of the Company and the Shareholders as a whole.

## V. EFFECTS OF THE A SHARE OFFERING ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that a total of 38,428,000 A Shares are permitted to be issued under the A Share Offering and the issued share capital of the Company remains unchanged prior to completion of the A Share Offering, the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the A Share Offering is set out as follows:

	As at the date of this announcement		Immediately after completion of the A Share Offering	
	Number of Shares	Approximate percentage of the issued share capital of the Company	Number of Shares	Approximate percentage of the issued share capital of the Company
<b>Domestic Shares</b>				
Domestic Shares in issue	250,000,000	72.3%	250,000,000	65.1%
A Shares proposed to be issued under the A Share Offering	–	–	38,428,000	10.0%
<b>H Shares</b>	95,852,000	27.7%	95,852,000	24.9%
Total	345,852,000	100%	384,280,000	100%

As at the date of this announcement, based on the publicly available information and to the Directors' knowledge, all the H Shares are held by the public and the Company has maintained a public float above 25% which satisfies the requirements under the Listing Rules. The Company undertakes that it will continue to comply with the public float requirement under the Listing Rules during the application process and after completion of the A Share Offering.

## VI. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

During the period from the date of listing of the H Shares of the Company on the Stock Exchange (i.e. 11 March 2015) to the date of this announcement, no fund raising activities were conducted.

## VII. SHAREHOLDERS' APPROVAL AND GENERAL INFORMATION

The Company shall convene the EGM and the Class Meetings as soon as practicable to consider and pass, if thought fit, the above resolutions.

The Company will dispatch to Shareholders as soon as practicable a notice of EGM and the Class Meetings, the respective form of proxy and reply slip, together with a circular containing relevant details on the A Share Offering and other relevant information.

**As the A Share Offering is subject to approval of CSRC, relevant stock exchange in the PRC and other relevant regulatory authorities and may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the H Shares of the Company. The Company will make further announcements on any material updates and developments in relation to the A Share Offering in accordance with the Listing Rules and other applicable laws and regulations.**

## **DEFINITIONS**

Unless the context otherwise specifies, the following expressions in this announcement shall have the following meanings:

“A Share(s)”	the ordinary share(s) subscribed for in RMB, which are proposed to be issued by the Company under the A Share Offering
“A Share Offering”	the Company’s proposed initial public offering of no more than 38,428,000 A Shares, which will be listed on Shanghai Stock Exchange or Shenzhen Stock Exchange
“Articles of Association”	the Articles of Association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“Class Meetings”	the 2020 second class meeting for holders of Domestic Shares to be held immediately after the conclusion of the EGM, and the 2020 second class meeting for holders of H Shares to be held immediately after the conclusion of the said class meeting for holders of Domestic Shares, or any adjourned meeting thereof respectively
“Company”	Beijing Chunlizhengda Medical Instruments Co., Ltd.* (北京市春立正達醫療器械股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H Shares of which are listed on the Main Board of the Stock Exchange
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares of nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for in RMB by Chinese citizens and/or entities incorporated in the PRC and are credited as fully paid up

“Extraordinary General Meeting” or “EGM”	the 2020 second extraordinary general meeting (or any adjournment thereof) of the Company to be convened and held in due course
“H Share(s)”	overseas listed foreign shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	the lawful currency of the PRC
“Share(s)”	shares of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent.

By Order of the Board  
**Beijing Chunlizhengda Medical Instruments Co., Ltd.\***  
**SHI Chunbao**  
*Chairman*

Beijing, the PRC, 5 June 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Shi Chunbao, Ms. Yue Shujun and Mr. Wang Jianliang; and the independent non-executive directors of the Company are Mr. Ge Changyin, Mr. Tong Xiaobo and Mr. Ho Wai Ip.*

\* For identification purpose only