Shanghai Haohai Biological Technology Co., Ltd.*
上海昊海生物科技股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6826)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

- The unaudited revenue was approximately RMB313,111,000, representing an increase of approximately 34.80% as compared to the corresponding period in 2014.
- The unaudited profit attributable to equity holders of the Company was approximately RMB140,890,000, representing a significant increase of approximately 72.60% as compared to the corresponding period in 2014.
- The unaudited basic earnings per share were RMB1.06 (corresponding period in 2014: RMB0.68).
- The Board does not recommend the distribution of an interim dividend for the six-month period ended 30 June 2015.

INTERIM RESULTS (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**" or "**Haohai Biological**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the six-month period ended 30 June 2015 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six-month period ended 30 June 2015 *RMB'000* *(unaudited)*	2014 *RMB'000* *(unaudited)*
REVENUE	4	313,111	232,284
Cost of sales		(46,812)	(30,136)
Gross profit		266,299	202,148
Other income and gains	4	34,973	8,850
Selling and distribution expenses		(97,530)	(81,738)
Administrative expenses		(21,217)	(18,194)
Research and development expenses		(15,773)	(13,801)
Other expenses		(1,420)	(1,279)
PROFIT BEFORE TAX		165,332	95,986
Income tax expense	5	(24,890)	(14,357)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		140,442	81,629
Attributable to:			
Owners of the parent		140,890	81,629
Non-controlling interests		(448)	—
		140,442	81,629
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic and diluted (RMB)	6	1.06	0.68

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 June 2015 *RMB'000* *(unaudited)*	31 December 2014 *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	7	376,293	352,003
Prepaid land lease payments		31,257	32,364
Other intangible assets		4,394	4,050
Deferred tax assets		4,941	5,453
Other non-current assets		966	10,678
Total non-current assets		417,851	404,548
CURRENT ASSETS			
Inventories		82,214	76,364
Trade and bills receivables	8	84,953	62,443
Tax recoverable		—	2,752
Prepayments, deposits and other receivables		37,732	18,609
Term deposits	9	1,504,833	—
Pledged deposits		—	5,846
Cash and bank balances		546,403	181,341
Total current assets		2,256,135	347,355
CURRENT LIABILITIES			
Trade and bills payables	10	5,449	8,790
Other payables and accruals		104,015	125,483
Tax payable		17,231	4,966
Total current liabilities		126,695	139,239
NET CURRENT ASSETS		2,129,440	208,116
TOTAL ASSETS LESS CURRENT LIABILITIES		2,547,291	612,664

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		690	761
Deferred income		16,343	17,743
Total non-current liabilities		17,033	18,504
Net assets		2,530,258	594,160
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		160,045	120,000
Reserves		2,366,970	474,160
		2,527,015	594,160
Non-controlling interests		3,243	—
Total equity		2,530,258	594,160

1. CORPORATE INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China (the "PRC" or "China"), and the Company was converted into a joint stock limited liability company on 2 August 2010. The registered office of the Company is located at No. 5 Dongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 April 2015.

The Group is principally engaged in the research, manufacturing and sale of absorbable biomedical materials and medicine, such as biologicals, medical hyaluronate and water-soluble medical chitosan, as well as the research and manufacturing and sale of biological engineering pharmaceuticals.

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie.

As at 30 June 2015, the Company has direct interests in the following subsidiaries, all of which are limited liability companies established in the PRC, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Paid-up capital/ registered ordinary share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB	*%*	*%*	
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("Shanghai Qisheng")	PRC 27 May 1992	60,000,000	100	—	Manufacture and sale of biological reagents, biologicals and biological materials
上海建華精細生物製品有限公司 Shanghai Jianhua Fine Biological Products Co., Ltd.* ("Shanghai Jianhua")	PRC 20 October 1993	15,000,000	100	—	Manufacture and sale of medical sodium hyaluronate, biologicals, biochemical and HA series skin care products
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("Shanghai Likangrui")	PRC 3 September 2001	50,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services

Company name	Place and date of incorporation/ registration and place of operations	Paid-up capital/ registered ordinary share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB	*%*	*%*	
上海柏越醫療設備有限公司 Shanghai Baiyue Medical Equipment Co., Ltd.* ("Shanghai Baiyue")	PRC 25 September 2014	10,000,000	60	—	Sale of medical devices and laboratory equipment

* English translations of names for identification purposes only.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of presentation

This interim condensed consolidated financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015 as follows:

IAS 19 Amendments	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of International Financial Reporting Standards ("IFRSs")
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of these new and revised standards has had no significant financial effect on these financial statements.

2.3 Issued but not yet effective standards

IFRS 9	Financial Instruments[2]
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]

IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception[1]
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[3]
IFRS 15	Revenue from Contracts with Customers[2]
IAS 1 Amendments	Disclosure Initiative[1]
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plants[1]
IAS 27 Amendments	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 15 and IAS 1 Amendments, may result in changes in accounting policies but are unlikely to have material impact on the Group's result of operations and financial positions upon application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, the manufacturing and sale of biologicals, medical hyaluronate, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Group solely operates in the PRC and all of the assets of the Group are located in the PRC, geographical segment information as required by International Financial Reporting Standard 8 *Operating Segments* is not presented.

Information about major customers

There was no customer, the revenue from which amounted to 5% or more of the Group's revenue during the Reporting Period.

4. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

An analysis of the Group's revenue is as follows:

	For the six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Sale of goods	313,111	232,284
Other income and gains		
Interest income	6,067	1,294
Government grants (Note (i))	5,131	6,965
Gain on disposal of items of property, plant and equipment	—	44
Exchange gains	23,274	—
Others	501	547
	34,973	8,850

Note (i): Government grants have been received from local government authorities in various regions in Shanghai, the PRC, for setting up research activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statements of financial position. There were no unfulfilled conditions and other contingencies attached to the government grants.

5. INCOME TAX

	For the six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current	24,449	14,869
Deferred	441	(512)
Total tax charge for the period	24,890	14,357

The Company and its subsidiaries are subject to different PRC corporate income tax ("CIT") rates. The applicable CIT rates are shown as follows :

	For the six-month period ended 30 June	
	2015	**2014**
The Company	15%	15%
Shanghai Qisheng	15%	15%
Shanghai Jianhua	15%	15%
Shanghai Likangrui	25%	25%
Shanghai Baiyue	25%	N/A

The Company and its subsidiaries are registered in the PRC and only have operations in Mainland China. They are subject to CIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

In January 2015, the Company, Shanghai Qisheng and Shanghai Jianhua, were re-evaluated to be accredited as high and new-tech enterprises (i.e. the "HNTE status") respectively, effective for three years from 2014 to 2016 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the period from 2014 to 2016.

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the six-month period ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 133,340,883 (for the six-month period ended 30 June 2014: 120,000,000) in issue during the six-month period ended 30 June 2015, as adjusted to reflect the rights issue during the year.

Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the Reporting Period.

7. PROPERTY, PLANT AND EQUIPMENT

The Group continued the upgrading of production facilities of the Company, and the carrying amount as at 30 June 2015 was approximately RMB12,870,000 (unaudited) (31 December 2014: approximately RMB9,650,000 (audited)). The Group also continued the construction of infrastructure at the Shanghai Likangrui production facility, and the carrying amount as at 30 June 2015 was approximately RMB115,740,000 (unaudited) (31 December 2014: approximately RMB80,470,000 (audited)).

8. TRADE AND BILLS RECEIVABLES

	30 June 2015 *RMB'000* *(unaudited)*	**31 December 2014** *RMB'000* *(audited)*
Trade receivables	88,752	64,908
Bills receivable	719	811
Impairment for trade receivables	(4,518)	(3,276)
	84,953	62,443

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group sells goods on credit to certain major customers with good repayment history and high reputation. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management of the Group. In view of the above and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of trade and bills receivables as at the end of the relevant periods based on the invoice date and net of provisions, is as follows:

	30 June 2015 *RMB'000* *(unaudited)*	**31 December 2014** *RMB'000* *(audited)*
Outstanding balances with ages:		
Within 3 months	76,059	52,132
3 to 6 months	9,682	11,056
6 months to 1 year	3,245	2,340
1 to 2 years	460	184
2 to 3 years	25	7
	89,471	65,719

9. TERM DEPOSITS

	30 June 2015 *RMB'000* *(unaudited)*	**31 December 2014** *RMB'000* *(audited)*
Structured deposits	1,504,833	—

The structured deposits represented bank financial products with principal guaranteed at floating interest rates from 0% to 4.4%, depending on the market performance of London Interbank Offered Rate (LIBOR), which were stated at amortised cost since the interest rates were predictable. All the structured deposits would be matured on 29 September 2015.

10. TRADE AND BILLS PAYABLES

	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	5,449	2,944
Bills payable	—	5,846
	5,449	8,790

An ageing analysis of trade payables as at the end of the relevant periods is as follows:

	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Outstanding balances with ages:		
Within 3 months	5,367	8,671
3 months to 1 year	—	72
Over 1 year	82	47
	5,449	8,790

The trade payables were non-interest-bearing and normally settled on 30 to 90 day terms.

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the Reporting Period (for the corresponding period in 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

In 2015, China continued to deepen the medical and health system reform. With the further promotion of medical reform, removal of price markups on medicine, restructuring of public hospitals and coupled with the gradual introduction of policies in respect of centralized procurement of medicines and of privately-run medical institutions, the marketisation of healthcare services continues to progress and the pharmaceutical industry is subject to different degrees of challenges.

During the Reporting Period, the Group continued to strategically focus on the four fast-growing areas in the absorbable biomedical materials market in the PRC, namely orthopedics, anti-adhesion and hemostasis, ophthalmology and wound care and tissue filling. Meanwhile, the Group took the following various measures in response to the challenges from policy changes to enhance its competitiveness; transform challenges into opportunities and strengthen its leading position in these areas:

- enhancing capacity utilization and using advanced production equipment to raise production efficiency;
- pushing forward the upgrade of existing products, expanding investment in research and development of products, and promoting clinical application of products;
- achieving establishment and refined management of a professional sales team; and
- effective use of capital in identifying strategic targets for acquisitions.

During the Reporting Period, the principal business of the Group continued to grow rapidly and realized aggregate revenue of approximately RMB313.11 million (corresponding period in 2014: RMB232.28 million), representing an increase of 34.80% as compared to the corresponding period in 2014. Gross profit increased from RMB202.15 million for the corresponding period in 2014 to approximately RMB266.30 million for the six-month period ended 30 June 2015, representing a growth of 31.73%. During the Reporting Period, the profit attributable to the equity holders of the Company was RMB140.89 million (corresponding period in 2014: RMB81.63 million), representing an increase of 72.60% as compared to the corresponding period in 2014, and after deducting the after-tax exchange gains of approximately RMB19.78 million as a result of a one-off settlement of proceeds from initial public offering ("**IPO**"), there is still an increase of up to 48.36%. The basic earnings per share were RMB1.06 (corresponding period in 2014: RMB0.68).

The Group continued to maintain the leading position in the industry. According to the research of the China Food and Drug Administration Bureau Southern Medicine Economic Research Institute (中國國家食品藥品監督管理總局南方醫藥經濟研究所) ("**SME Research**"), the Group's anti-adhesion and ophthalmic viscoelastic device products maintained the first place ranking in the market, while the market share of intra-articular viscosupplement product and recombinant human epidermal growth factor ("**rhEGF**") product rose to the first and second place respectively in 2014.

During the first half of 2015, the increase in revenue and cost of the Group was driven by the growth of sales. While the revenue from sales of the Group's original main products continued to grow steadily, the newly launched products, which have won extensive recognition in the industry for the quality and clinical efficacy, are gaining their popularity rapidly, and have become a new important growth driver to the Group's revenue.

Moreover, the management noted that the overall gross profit margin of the Group decreased slightly from 87.03% in the corresponding period in 2014 to 85.05%, primarily due to the upgrading and industrialization reform in the second half of 2014 which led to a significant addition of fixed assets and facilities at the Company and Shanghai Qisheng for production purposes, resulting in substantial increase of RMB 8.85 million in depreciation and long-term amortization expenses included in the costs as compared to the corresponding period last year. The management believes that through the upgrading and industrialization reform, the Group's research and development ("**R&D**") capacity and product quality will be further enhanced while the insufficient production capacity will also be improved, which is conducive to a relatively high gross profit margin to ensure the stable growth of the Group's long-term results and profit.

The Group's revenue breakdown for the first half of 2015 by therapeutic area was as follows (by amount and as a percentage of the total revenue):

	January to June 2015		**January to June 2014**	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Orthopedics	**141,898**	45.3%	106,854	46.0%
Wound care and tissue filling	**46,275**	14.8%	21,840	9.5%
Ophthalmology	**36,673**	11.7%	31,234	13.4%
Anti-adhesion and hemostasis	**88,265**	28.2%	72,356	31.1%
Total	**313,111**	100.0%	232,284	100.0%

Orthopedics

During the Reporting Period, the breakdown of revenue from orthopedics by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2015		**January to June 2014**	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Sodium hyaluronate injection	**114,932**	36.7%	94,493	40.7%
Medical sodium hyaluronate gel	**—**	—	3,518	1.5%
Medical Chitosan	**26,966**	8.6%	8,843	3.8%
Total Orthopedics	**141,898**	45.3%	106,854	46.0%

The Group manufactures and sells orthopedics products used for intra-articular viscosupplement (骨關節腔注射), including products made of medical sodium hyaluronate or medical chitosan. According to the research of SME Research, the Group's market share in the orthopedics products amounted to 31.67% and the Group became the largest manufacturer of intra-articular viscosupplement products in China in 2014.

During the first half of 2015, the Group's revenue from the sales of orthopedics products was approximately RMB141.90 million, representing an increase of RMB 35.04 million or 32.80% as compared to the corresponding period in 2014. Among the orthopedics products, the sales of sodium hyaluronate injection and medical chitosan represented an increase of RMB20.44 million and RMB18.12 million respectively.

Sodium hyaluronate injection

Sodium hyaluronate injection (for orthopedics), which is a traditional core product that has a longer history and enjoys higher acceptance, continued to achieve a brilliant sales performance during the Reporting Period and contributed RMB114.93 million to our revenue, representing an increase of 21.63% as compared to the corresponding period last year. On the other hand, the proportion of revenue contribution by sodium hyaluronate products to the Group's total revenue slightly decreased as compared to the corresponding period in 2014. The decrease was mainly due to the fast growth of new products developed by the Group which proved the positive effect of the operating strategy adopted by the management on product diversification.

During the Reporting Period, sodium hyaluronate/sodium hyaluronate injection of the Group was granted renewal of drug registration certificate with a term effective for five years.

Medical chitosan

Revenue from the sales of the medical chitosan used for intra-articular viscosupplement (骨關節腔注射), which was launched in the market in 2014, increased by 204.94% from RMB8.84 million in the corresponding period of 2014 to RMB26.97 million in the Reporting Period. The product, which is used for intra-articular viscosupplement, is the only Class III medical device which has obtained the registration certificate in China. It can be used for the treatment for degenerative osteoarthritis; help minimizing joint pains; improve joint mobility and reduce functional impairment. It is characterized by the Group's exclusive water-soluble technology which significantly reduces infection rate, has anti-microbial and hemostatic functions, a longer in vivo retention time and long-lasting therapeutic effect. After a year of market development, its significant efficacy and stable quality was well-recognized by doctors and patients. The management has established a professional marketing team for the product and will further strengthen the professional promotion, raise product awareness and expanded the market coverage to ensure a rapid growth for this exclusive product.

The management has set out clear positioning for different orthopedics products. In achieving mutual growth, the management strives to push forward the sales of medical chitosan products through differentiation of positioning among clinical application, pricing and target market while maintaining the growth momentum of sodium hyaluronate injection as the original core products of the Group.

Wound care and tissue filling products

During the Reporting Period, the breakdown of revenue from wound care and tissue filling by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2015		**January to June 2014**	
	RMB'000 *(unaudited)*	*%*	*RMB'000* *(unaudited)*	*%*
rhEGF	**14,101**	4.5%	12,350	5.4%
Medical cross-linked sodium hyaluronate gel	**32,174**	10.3%	9,490	4.1%
Total wound care and tissue filling	**46,275**	14.8%	21,840	9.5%

The Group manufactures and sells products used for wound care and tissue filling, including rhEGF ("**Healin**") and medical cross-linked sodium hyaluronate gel ("**Matrifill**") products. During the first half of 2015, the Group's revenue from the sales of wound care and tissue filling products was RMB46.28 million, representing an increase of 111.88% as compared to RMB21.84 million for the corresponding period in 2014.

Healin

The Group's Healin-branded rhEGF products is the only product in China that has the same amino acid structure as the natural epidermal growth factors in human bodies, and is the first registered rhEGF product in the world. It was approved as Class I new drug by the China Food and Drug Administration ("**CFDA**") in 2001 and was awarded the Second Prize of National Science and Technology Progress Award in 2002. Patented technology is adopted in the production of Healin, which is highly biological active with significant efficacy in the treatment of wound care and tissue filling, and a higher average market price. Its sales for the past four years showed an increasing trend with outstanding market performance. According to the research of SME Research, the Group's market share in 2014 was 15.34% with a growth of over 4 percentage points, and the Group has become the second largest manufacturer of rhEGF products. During the Reporting Period, the drug registration certificate of rhEGF products of the Group was granted renewal with a term effective for five years.

Matrifill

The revenue from the sales of Matrifill, a new product launched in the market in 2014, increased by 239.03% during the Reporting Period as compared to the corresponding period of 2014. Matrifill is the first cross-linked sodium hyaluronate gel for injection approved by CFDA in China. It can, through injection into dermis layer, fill facial defect and folded portion to achieve wrinkle removal and facial shaping. The product was developed by the Group, which proved to have a longer in vivo retention time than other similar products after a number of randomized controlled clinical trials.

The Group established a professional sales and marketing team for the Matrifill brand. In the first half of 2015, the Group enhanced the brand reputation by launching a series of marketing campaigns in relation to the building of professional market brand of end products with nearly 40 famous plastic surgery organizations throughout the nation, and leveraging new media platform to interact with consumers.

During the Reporting Period, the Group's second generation of cross-linked sodium hyaluronate gel has completed the clinical trial. As of the date of this announcement, the application of registration for medical device was accepted. In terms of efficacy, the product will achieve complementary advantages with the Group's listed brand Matrifill in the future. Moreover, the third generation of cross-linked sodium hyaluronate gel has completed type inspection and entered into clinical trial. The Group will accordingly achieve the combined effect of serialization and differentiation in plastic surgery and wound care which will satisfy the need of clinical application which is being increasingly segmental and diversified.

Currently, the medical beauty market in the PRC is experiencing rapid growth with the consistent emergence of domestic and foreign brands. However, there is increasing demand on products with advanced technology, safety and efficiency while the industry regulation is getting more stringent. The industry will undergo a market selection process under the principle of "survival of the fittest". This could be a challenge as well as an opportunity to the Group. The Group will leverage on the continuous innovation in R&D, stable product quality, sound clinical efficacy and effective market management to build a professional brand of medical and micro plastic surgery in the PRC.

Ophthalmology Products

During the Reporting Period, the breakdown of revenue from ophthalmology products by specific products was as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2015		**January to June 2014**	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Ophthalmic viscoelastic device ("OVD")	**35,463**	11.3%	31,234	13.4%
Lubricant eye drops	**1,210**	0.4%	—	0.0%
Total ophthalmology	**36,673**	11.7%	31,234	13.4%

The Group manufactures and sells ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drops product. During the Reporting Period, the Group's revenue from the sales of ophthalmology products was RMB36.67 million, representing an increase of 17.41% as compared to RMB31.23 million for the corresponding period in 2014. Of which, Eyesucom, a new product of lubricant eye drops launched in the market in October 2014, contributed sales amount of RMB1.21 million.

Among the main brands of OVD in the PRC, our products have the significant advantages such as advanced technology, high quality and high price-performance ratio. According to the research of SME Research, the market share of our OVD was 41.80% in 2014, with a market share of over 40% for the past eight consecutive years, making the Group as the largest OVD product manufacturer in the PRC. In the first half of 2015, our revenue of OVD increased by 13.54% as compared with the corresponding period in 2014.

During the Reporting Period, our new high concentration OVD has completed the clinical trial and we have submitted application information for CFDA registration. The launch of such products will fill up the shortage of the products in China; upgrade our existing range of ophthalmology products; further extend the comparative advantage against the imported overseas brand of the same type of products and improve our market share.

Currently, our population is increasingly ageing and shows a trend of urbanization, with the proportion of 65-year-olds or above increasing year by year, while the incidence and number of patients contracting cataract and glaucoma increase significantly. The management believes that with the increasing treatment coverage of ophthalmic surgery in China, there will be huge market potential and a rapid growth trend in domestic ophthalmology product market.

Anti-Adhesion and Hemostasis Products

The following table sets forth a breakdown of our revenue, by amount and as a percentage of our total revenue, from our anti-adhesion and hemostasis products by specific products for the Reporting Period:

	January to June, 2015		**January to June, 2014**	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Sodium hyaluronate gel	**26,800**	8.6%	26,861	11.6%
Medical chitosan	**56,434**	18.0%	42,171	18.1%
Medical collagen sponge	**5,031**	1.6%	3,324	1.4%
Total of anti-adhesion and hemostasis	**88,265**	28.2%	72,356	31.1%

The Group manufactures and sells anti-adhesion and hemostasis products, including post-operative anti-adhesion products, as well as medical collagen sponge made of sodium hyaluronate and chitosan. According to the research of SME Research, the Group's market share of its post-operative anti-adhesion products amounted to 47.99% in 2014, consolidating its position as the largest manufacturer of anti-adhesion products in the PRC for seven consecutive years.

In the first half of 2015, the Group's revenue from the sales of anti-adhesion and hemostasis products was RMB88.27 million, representing an increase of RMB15.91 million or approximately 21.99% as compared to RMB72.36 million for the corresponding period in 2014, of which the revenue of medical chitosan increased by RMB14.26 million, or recorded a year-on-year increase of 33.82%.

During the Reporting Period, the product registration certificates of Class III medical devices for medical sodium hyaluronate gel (anti-adhesion and hemostasis) owned by the Company and Shanghai Qisheng were granted renewals. The terms of all of the registration certificates are for five years, and the renewed registration certificate owned by the Company was granted three additional specifications. The launch of new specification products will provide doctors and end-users with more flexible alternatives in their clinical uses.

On 30 June 2015, the Society of Gynecology and Obstetrics of the Chinese Medical Association (中華醫學會婦產科學分會) published the "Consensus of Chinese Experts on the Prevention of Abdominal Adhesions after Gynecologic Surgery (2015)" (預防婦產科手術後盆腹腔粘連的中國專家共識(2015)) (the "**Consensus**"). The Consensus indicated that adhesion is a common complication following abdominal surgery with extremely high risks. The prevention of post-operative adhesions not only raises the success rate of surgeries, but also eliminates pain for patients; improves their quality of living, enhances pregnancy rate and reduces medical costs.

The management believes that with the issuance of the above Consensus, adhesion will be increasingly emphasized by both doctors and patients. The issuance of the Consensus will help implement the provincial and national cost catalog and medical insurance, and further facilitate the abdominal and oncology on usage of post-operative anti-adhesion products, hence radically increasing clinical usage and further promoting the growth of our sales in post-operative anti-adhesion and hemostasis product.

Quality management

According to the Notice of Guo Shi Yao Jian An (2011) No. 101 (國食藥監安[2011]101號通知), the manufacturing of all medicine should fulfill the Good Manufacturing Practices for Drugs (2010 Revision) ("**New GMP**") requirements. Enterprises (factories) which fail to fulfill the requirements should not continue manufacturing products after the above period. Meanwhile, by late 2015, all enterprises manufacturing Class III medical devices in China should fulfill the requirements of Good Manufacture Practices for Medical Devices. By late 2017, all enterprises manufacturing medical devices should fulfill the requirements of Good Manufacture Practices for Medical Devices.

We emphasize the quality risk management of products. In each section of the industry chain, from product research and development to sales, we formulate strict quality safety mechanism to ensure the safety and accuracy of the entire process of R&D, production and sales.

Currently, all medicine manufacturing facilities of the Group have fulfilled New GMP requirements. Shanghai Likangrui is constructing the production base for the production of porcine endogenous fibrin sealant that can fulfill the New GMP requirements. The construction of the first phase of the production base is expected to be completed and the trial production is expected to commence in the second half of 2015.

Research and Development

The business strategy of focusing on R&D is one of our competitive strengths. During the first half of 2015, the Group continued to put in more resources towards research and development. The R&D expense during the Reporting Period amounted to RMB15.77 million, representing an increase of 14.29% as compared to the corresponding period in 2014 and accounted for 5.04% of the total revenue of the Group.

During the Reporting Period, in addition to the significant progress in our product pipelines as discussed above, innovative thermal-sensitive chitosan gel is our self-developed exclusive patent product, which can be used more widely in ophthalmology, anti-adhesion and orthopedics. The product has completed its type inspection and we are applying for clinical trial and planning to report a variety of indications.

As at 30 June 2015, the Group has 19 registration certificates for its products, 11 chief product pipelines, 2 national technology platforms, 39 authorized patents and 37 pending patent applications, among which, the Group has obtained 15 additional authorized patents during the first half of 2015. The management expects that numerous product pipelines will start clinical trials in the second half of 2015.

In January 2015, the trademark of Shanghai Qisheng's medical chitosan and medical sodium hyaluronate (registration certificate number: 1345296) was recognized as the "Famous Trademarks in Shanghai" by Shanghai Administration for Industry & Commerce (上海市工商行政管理局) for an effective term of 3 years. This honour not only further enhanced the protection of the Group's trademarks and the market reputation of Shanghai Qisheng and its products, but also realized the Group's strategy of emphasizing the intellectual property rights and the promotion of the commercial value of the intellectual property rights.

In June 2015, Company was recognized and ranked as "2015 Shanghai Pilot Enterprises in Patent Operation" by Shanghai Intellectual Property Administration (上海市知識產權局). This does not only represent the recognition of the Company's management of its intellectual property rights, innovation and its competence in commercializing research findings, but also sets a target to achieve an even higher standard on the invention, application, protection and management of the intellectual property rights of the Company.

Sales and marketing

The Group participated and organized various major academic conferences, seminars and symposiums on our target therapeutic areas in the first half of 2015 to share the outcomes from the clinical trials and post-market clinical trial studies with other participants, and continued to provide skills trainings and support to distributors. Meanwhile, the Group continued to explore innovative marketing strategies.

During the Reporting Period, the sales and distribution expenses of the Group were approximately RMB 97.53 million, which accounted for 31.15% of the revenue as compared to 35.19% in the corresponding period of last year. The drop was mainly attributable to the management's continuous integration of the distribution networks and efforts on establishment and refined management of professional sales teams, realizing the management goal of cost reduction and efficiency enhancement.

As of 30 June 2015, the total number of distributors and sales force of the Group were over 1,100 and 129 respectively. During the Reporting Period, we derived revenue of approximately RMB252.63 million from sales of our products through distributors, which accounted for 80.68% of the Group's sales revenue and approximately RMB 60.48 million from direct sales, which accounted for 19.32 % of the Group's sales revenue.

Human Resources

The Group had 541 employees as of 30 June 2015. The breakdown of our total number of employees by function was as follows:

Production	224
Research and Development	110
Sales and Marketing	129
Supply	11
Administration	67
Total	541

The Group's remuneration policy for its employees is based on their performance, working experience, local sales performance and external market competition. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB 34.25 million. The management will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Mergers and Acquisitions

Pursuant to the shareholders' resolution of Shanghai Baiyue on 28 January 2015, the Company would inject capital of RMB 6 million in cash into Shanghai Baiyue to acquire 60% of its share equity. The injection was completed in February 2015 and Shanghai Baiyue then became a non-wholly owned subsidiary of the Company. The Group will absorb and integrate the sales force of Shanghai Baiyue in the Shanghai region and the management believes that such move will effectively enhance the efficiency of the Group's direct sales management.

The Group's objective is to further strengthen our leading position in the absorbable biomedical materials market in China and becomes a leading biomedical materials company globally. In view of this, the Group will selectively acquire suitable biopharmaceutical or biomedical materials companies, and has set up a wholly-owned subsidiary in Hong Kong in July 2015. The establishment of the Hong Kong subsidiary enables the Group to leverage the regional advantage of Hong Kong to further expand its overseas business and build an offshore investment and financing platform that provides more favorable conditions for the successful expansion of overseas business and offshore investments of the Group.

Liquidity and Capital Resources

As at 30 June 2015, the total current assets of the Group was approximately RMB2,256.14 million, representing an increase of RMB 1,908.78 million as compared to that as at 31 December 2014, and the total current liabilities was approximately RMB 126.70 million, representing a decrease of RMB 12.54 million as compared to that as at 31 December 2014. As at 30 June 2015, the Group's current assets to liabilities ratio was approximately 17.81 as compared to 2.49 as at 31 December 2014, which was primarily due to the temporary use of proceeds by the Group for the short-term investments in term deposits.

For the six-month period ended 30 June 2015, the net cash inflow from operating activities of the Group was RMB130.92 million, representing an increase of RMB 77.42 million as compared to RMB53.50 million for the corresponding period in 2014. The net cash outflow from the investment activities of the Group was RMB1,520.66 million, representing an increase of RMB1,468.68 million as compared to RMB51.98 million for the corresponding period in 2014, which is primarily due to the temporary use of proceeds of RMB 1,500 million by the Group for the short-term investments in term deposits.

The Company issued an aggregate of 40,045,300 H shares of RMB 1.00 each at a price of HK$59.00 per H share, raising a total amount of HK$2,362.67 million in its IPO in April 2015 and upon partial exercise of the over-allotment option in May 2015. Netting of the paid and accrued listing fee amounting to RMB 71.74 million, the effective increase of capital contribution was RMB1,791.97 million, in which the increase of issued capital and capital reserve were approximately RMB40.05 million and RMB1,751.92 million, respectively.

Asset Pledge

As at 30 June 2015, the Group did not have any asset pledge.

Gearing Ratio

As at 30 June 2015, the total liabilities of the Group amounted to approximately RMB 143.73 million and the debt to assets ratio ((Total Liabilities / Total Assets) x 100%) was 5.38% as compared to 20.98% at 31 December 2014. The decline was primarily attributed to the significant increase in the total asset resulted from the proceeds from the issuance of H shares in April and May 2015.

Contingent Liabilities

For the six-month period ended 30 June 2015, the Group did not have any significant contingent liabilities.

Event after the Reporting Period

On 17 July 2015, the Company has set up a wholly-owned subsidiary Haohai Healthcare Holdings Co., Ltd. in Hong Kong, with a registered share capital of HK$100.00.

As at 17 July 2015, the Company completed the capital injection from RMB100 million to RMB0.16 billion into Shanghai Qisheng, and the procedures for increase of registered capital has been completed at the Shanghai Minhang Market Supervision Administration.

As at 21 July 2015, the Company completed capital injection from RMB 100 million to RMB0.15 billion into Shanghai Likangrui and the procedures for increase of registered capital has been completed at the Shanghai Qingpu Market Supervision Administration.

Foreign Exchange Risk

The sales of the Group were principally denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group. During the six-month period ended 30 June 2015, the Group did not enter into any hedging transactions.

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the period since the listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 30 April 2015 (the "**Listing Date**"), up to 30 June 2015.

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six-month period ended 30 June 2015.

Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules throughout the period from the Listing Date to 30 June 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company. Having made specific enquires to all directors and supervisors, all of them confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to 30 June2015.

Audit Committee

The Company has established an audit committee and the audit committee comprises five directors, namely Mr. Shen Hongbo, Ms. You Jie, Mr. Chen Huabin, Mr. Li Yuanxu and Mr. Zhu Qin and is chaired by Mr. Shen Hongbo. The primary duties of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the Company's financial reporting procedures and internal control system. The Group's unaudited condensed consolidated financial statements for the six-month period ended 30 June 2015 have been reviewed by the Audit Committee.

Publication of the Interim Results and Interim Report

This results announcement will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com) and the Company's website (www.3healthcare.com).

The Company's 2015 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders and will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com) and the Company's website (www.3healthcare.com) in due course.

By order of the Board
Shanghai Haohai Biological Technology Co., Ltd.
Hou Yongtai
Chairman

Shanghai, the PRC, 27 August 2015

As at the date of this announcement , the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Ling Xihua, Mr. Huang Ping and Ms. Chen Yiyi; the non-executive directors of the Company are Ms. You Jie and Mr. Gan Renbao; and the independent non-executive directors of the Company are Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Li Yuanxu, Mr. Zhu Qin and Mr. Wong Kwan Kit.

** For identification purpose only*