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 2017

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

- For the six-month period ended 30 June 2017, the unaudited revenue of the Group was approximately RMB605.12 million, representing an increase of approximately 62.3% as compared to the corresponding period in 2016.

- For the six-month period ended 30 June 2017, the net profit of the Group was approximately RMB186.64 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 23.2% as compared to the corresponding period in 2016. The amortisation charge on intangible asset from business acquisition of the Group (after tax) was approximately RMB8.27 million (the corresponding period in 2016: nil), after excluding the impact of such charge, the net profit of the Group was approximately RMB194.91 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 28.7% as compared to the corresponding period in 2016.

- For the six-month period ended 30 June 2017, the profit attributable to ordinary equity holders of the Company was approximately RMB175.78 million, representing an increase of approximately 16.0% as compared to the corresponding period in 2016.

- The Group continues to maintain its leading position in the industry: the Group's domestic market shares of intra-articular viscosupplement, anti-adhesion products and ophthalmic viscoelastic devices ("**OVD**") products further increased to 35.4%, 50.2% and 41.9% respectively in 2016, all ranking first in the market; whilst the market share of recombinant human epidermal growth factor ("**rhEGF**") products, i.e. "Healin", continued to increase and reached 16.4%, ranking the second place in the market.

- On 23 February 2017, the 2017 revision of the National Reimbursement Drug List ("**NRDL**") lifted the restrictions on "Healin" as a class B medical insurance product.
- The Group's self-developed second generation of hyaluronic acids ("**HA**") dermal filler "Janlane" has completed the registration for medical device with ("**CFDA**") on 8 September 2016 and was duly launched on 24 February 2017.
- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

INTERIM RESULT (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd.* (the "**Company**") 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 2017 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	For the six-month period ended 30 June **2017** ***RMB'000*** **(unaudited)**	 2016 *RMB'000* (unaudited)
REVENUE	4	**605,124**	372,936
Cost of sales		**(127,287)**	(62,266)
Gross profit		**477,837**	310,670
Other income and gains, net	4	**56,292**	46,459
Selling and distribution expenses		**(213,335)**	(129,838)
Administrative expenses		**(65,763)**	(25,204)
Research and development costs		**(32,121)**	(20,726)
Other expenses		**149**	(3,501)
Finance costs		**(1,012)**	—
Share of profits and losses of:			
An associate		**—**	190
PROFIT BEFORE TAX		**222,047**	178,050
Income tax expense	5	**(35,408)**	(26,607)
PROFIT FOR THE PERIOD		**186,639**	151,443
Attributable to:			
Ordinary equity holders of the parent		**175,777**	151,523
Non-controlling interests		**10,862**	(80)
		186,639	151,443

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		For the six-month period ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
	Notes	***(unaudited)***	*(unaudited)*
PROFIT FOR THE PERIOD		**186,639**	151,443
Available-for-sale investments:			
Changes in fair value		**(5,471)**	(21,238)
Exchange differences on translation of foreign operations		**1,151**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(4,320)**	(21,238)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**182,319**	130,205
Attributable to:			
Ordinary equity holders of the parent		**171,457**	130,285
Non-controlling interests		**10,862**	(80)
		182,319	130,205
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
- Profit for the period	7	**1.10**	0.95

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* *(unaudited)*	31 December 2016 *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**513,513**	474,754
Prepaid land lease payments		**30,519**	30,888
Other intangible assets		**466,063**	295,406
Goodwill		**361,787**	292,084
Investment in a joint venture		**7,035**	—
Investment in an associate		**4,892**	—
Available-for-sale investments		**128,955**	64,226
Deferred tax assets		**14,973**	8,813
Other non-current assets		**24,147**	39,078
Total non-current assets		**1,551,884**	1,205,249
CURRENT ASSETS			
Inventories		**144,382**	117,953
Trade and bills receivables	8	**310,380**	235,153
Prepayments, deposits and other receivables		**94,576**	124,802
Cash and bank balances		**1,736,814**	2,010,255
Total current assets		**2,286,152**	2,488,163
CURRENT LIABILITIES			
Trade payables	9	**37,383**	19,686
Other payables and accruals		**368,579**	442,451
Interest-bearing bank borrowings	10	**5,673**	26,666
Tax payable		**43,797**	47,352
Other non-current liabilities due within one year	10	**1,396**	—
Total current liabilities		**456,828**	536,155
NET CURRENT ASSETS		**1,829,324**	1,952,008
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,381,208**	3,157,257
NON-CURRENT LIABILITIES			
Other payables and accruals		**90,093**	75,600
Interest-bearing bank borrowings	10	**18,100**	—
Deferred tax liabilities		**121,944**	83,787
Deferred income		**10,559**	12,010
Total non-current liabilities		**240,696**	171,397
NET ASSETS		**3,140,512**	2,985,860

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2017

	Notes	**30 June 2017** **RMB'000** **(unaudited)**	31 December 2016 *RMB'000* *(audited)*
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		**160,045**	160,045
Reserves		**2,835,381**	2,743,947
		2,995,426	2,903,992
Non-controlling interests		**145,086**	81,868
Total equity		**3,140,512**	2,985,860

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China, (the "**PRC**"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing 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 (the "**Stock Exchange**") since 30 April 2015.

During the Reporting Period, the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate, ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("**Shanghai Qisheng**")	PRC 27 May 1992	RMB 160,000,000	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	RMB 30,000,000	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	RMB 150,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
上海柏越醫療設備有限公司 Shanghai Baiyue Medical Equipment Co., Ltd.* ("**Shanghai Baiyue**")	PRC 25 September 2014	RMB 10,000,000	60	—	Sale of medical equipment
Haohai Healthcare Holdings Co., Ltd.* ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD 150,437,360	100	—	Investment holding and trading business
上海昊海醫藥科技發展有限公司 Shanghai Haohai Medical Development Technology Co., Ltd.* ("**Haohai Development**")	PRC 19 February 2016	RMB 510,000,000	100	—	Pharmaceutical and medical device technology development and investment holdings
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd.* ("**Henan Universe**")	PRC 23 April 1991	RMB 9,923,200	—	100	Manufacture and sale of intraocular lens and and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.* ("**Shenzhen NIMO**")	PRC 27 April 2006	RMB 11,000,000	—	60	Sale of ophthalmology product
珠海艾格醫療科技開發有限公司 Eyegood Medical (Zhuhai) Co., Ltd.* ("**Zhuhai Eyegood**")	PRC 24 November 2000	RMB 22,639,954	—	98	Manufacture and sale ophthalmology products
Aaren Laboratories, LLC ("**Aaren Laboratories**")	USA 23 May 2016	USD 1,000,000	—	100	Manufacture and sale of ophthalmology products
Contamac Holdings Limited[(1)] ("**Contamac Holdings**")	UK 13 October 2009	GBP1,100	—	70	Manufacture and sale of ophthalmology materials
Contamac Limited[(1)] ("**Contamac Limited**")	UK 10 May 1991	GBP1,000	—	70	Manufacture and sale of ophthalmology materials

* *English translations of names for identification purposes only.*

Notes:

(1) During the Reporting Period, the Group acquired 70% of share capital in Contamac Holdings with a cash consideration of GBP24,500,000 (equivalent to approximately RMB215,563,000). Contamac Limited is a wholly—owned subsidiary of Contamac Holdings.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim 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 as at 31 December 2016.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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 financial statements for the year ended 31 December 2016, except for the adoption of the new standards and interpretations as of 1 January 2017, noted below:

Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 12	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 No mandatory effective date yet determined but is available for adoption

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

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 1 Included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IAS 28 Included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[1]

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

2 Effective for annual periods beginning on or after 1 January 2019

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 Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, the manufacture 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 generates over 92% revenue through its operation in the mainland China and over 85% of the assets of the Group are located in the mainland China, geographical segment information as required by IFRS 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 (for the corresponding period in 2016: nil).

4. REVENUE AND OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges during the period.

An analysis of revenue, other income and gains is as follows:

		For the six-month period ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue			
Sale of goods		**605,124**	372,936
Other income and gains			
Interest income from bank deposits		**29,110**	29,061
Government grants	i)	**24,763**	16,241
Exchange gains/(loss)		**(3,318)**	55
Dividends received		**2,087**	—
Others		**3,650**	1,102
		56,292	46,459

Note:

i) Various government grants have been received from local government authorities in various regions in the PRC, for setting up research activities. The government grants released have been recorded in other income and gains. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these government grants.

5. INCOME TAX

The Company and its principal subsidiaries, except Haohai Holdings, Aaren Laboratories and Contamac Holdings, are registered in the PRC and only have operations in the mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua were accredited as high and new-tech enterprises (the "**HNTE Status**") respectively, effective for the three years from 2014 to 2016 by the relevant authorities. In 2017, the Company, Shanghai Qisheng and Shanghai Jianhua are in the process of HNTE status renewal for the next three years from 2017 to 2019. Based on the experiences and current feedback from the authorities, the directors of the Company believe that the renewal would be successful. Therefore, the preferential income tax rate of 15% was applied during Reporting Period for the Company, Shanghai Qisheng and Shanghai Jianhua. Shenzhen NIMO was accredited as HNTE Status, effective for the three years from 2015 to 2017 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2015 to 2017.

The applicable tax rate of other subsidiaries registered in the PRC (Shanghai Likangrui, Shanghai Baiyue, Haohai Development, Henan Universe and Zhuhai Eyegood) was 25% during the period.

Haohai Holdings' profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting Period.

Aaren Laboratories' profits tax has been provided at the rate of 34% on the estimated assessable profits arising in the USA during the Reporting Period.

Contamac Holdings' profits tax has been provided at the rate of 20% on the estimated assessable profits arising in the UK during the Reporting Period.

Contamac Limited's profits tax has been provided at the rate of 20% on the estimated assessable profits arising in the UK during the Reporting Period.

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current		
Charge for the period	**41,831**	26,349
Underprovision in prior period	**107**	—
Deferred	**(6,530)**	258
Total tax charge for the period	**35,408**	26,607

6. DIVIDENDS

The proposed final dividend of RMB0.50 (tax included) per ordinary share for the year ended 31 December 2016 was declared payable by the shareholders at the annual general meeting of the Company on 23 June 2017.

The directors of the Company does not recommend the distribution of an interim dividend in respect of six-month period ended 30 June 2017 (for the corresponding period in 2016: nil).

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 160,045,300 (for the corresponding period in 2016: 160,045,300) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2017 and 2016.

The calculations of basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**175,777**	151,523
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**160,045,300**	160,045,300

8. TRADE AND BILLS RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**336,820**	257,307
Bills receivable	**1,642**	—
Impairment	**(28,082)**	(22,154)
	310,380	235,153

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and good reputation are on credit. 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 senior management. In view of the aforementioned 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 and bills receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the Reporting Period, based on the invoice date and net of provisions, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	**230,145**	171,333
3 to 6 months	**46,953**	45,723
6 months to 1 year	**21,797**	16,001
1 to 2 years	**8,198**	2,024
2 to 3 years	**1,645**	72
	308,738	235,153

9. TRADE PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**37,383**	19,686

An aged analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	**31,854**	14,180
3 months to 1 year	**2,982**	2,994
Over 1 year	**2,547**	2,512
	37,383	19,686

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

10. INTEREST-BEARING BANK BORROWINGS

	Notes	**30 June 2017** *RMB'000* ***(unaudited)***	31 December 2016 *RMB'000* *(audited)*
Bank loans:			
- secured	(1)	**25,169**	26,666
Portion classified as current liabilities		**(7,069)**	(26,666)
Non-current portion		**18,100**	—

Notes:

The bank loans bear interest at rates ranging from 2.67% to 6.55% (2016: 4.32% to 6.55%) per annum.

(1) As at 30 June 2017, the apartments of the non-controlling shareholders of Shenzhen NIMO were pledged for a bank loan of RMB5,673,000, which was also guaranteed by these shareholders. Meanwhile, one of the subsidiaries of the Group's bank loan of GBP2,212,000 (equivalent to approximately RMB19,497,000) was secured by the pledge of certain of its property, plant and equipment with the carrying amount of GBP3,231,000 (equivalent to approximately RMB28,479,000) (31 December 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

2017 marks a significant year for the implementation of the spirit of the National Health and Well-being Convention and the "13th Five-Year Plan" for deepening the reforms of the pharmaceuticals and healthcare system. In the first half of 2017, the consecutive introduction of major policies for the pharmaceutical and medical device industry of China since 2015 continues to affect the whole industry, which have created severe challenges for the enterprises within the industry, while on the other hand, important develop opportunities have also emerged.

During the Reporting Period, the Group has been highly responsive to the reforms. In order to accommodate with the fast-changing tender policy and the highly competitive market environment, the Group adjusted the selling prices of some of its products. Meanwhile, the Group has improved operational efficiency through refined marketing management, enhanced budgeting and operations control. The Group also focused on optimizing its product portfolio and advancing service upgrade, which has enabled the continuous growth in the sales volume of various series of existing product lines for medical absorbable biomedical materials, so as to secure the steady growth of the Group's entire principal business.

Meanwhile, the Group has been taking steady steps to penetrate the ophthalmological high-valued materials industry since 2016 from the market of intraocular lens ("**IOL**") (the core medical device for cataract surgery), by means of acquisition and integration with domestic and foreign enterprises with mature products, high-end technologies and valuable marketing resources. By the end of 2016, the Group completed a number of acquisitions, including acquisition of 60% equity interest in Shenzhen NIMO, 100% equity interest in Henan Universe, 98% equity interest in Zhuhai Eyegood and the hydrophilic and PMMA IOL business of Aaren Scientific Inc. ("**Aaren Business**"). On 2 June 2017, the Group completed the acquisition of 70% share capital in Contamac Holdings, a UK IOL, ophthalmic materials and technology supplier, which will help the Group to secure long term and stable upstream material supply and enhance the research and development of new IOL and other ophthalmic products. So far, the Group's whole industry chain layout centered on IOL products has been primarily established, which has laid an industry foundation for the long term growth of the ophthalmological high-valued materials business in the future.

During the Reporting Period, the Group recorded a total turnover of approximately RMB605.12 million (the corresponding period in 2016: approximately RMB372.94 million), representing an increase of RMB232.18 million or approximately 62.3% as compared to the corresponding period in 2016. The breakdown of the Group's revenue by therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	%	*RMB'000 (unaudited)*	%	%
Orthopedics products	**136,405**	**22.5**	135,075	36.2	1.0
Medical aesthetics and wound care products	**127,831**	**21.1**	96,003	25.8	33.2
Anti-adhesion and hemostasis products	**113,482**	**18.8**	100,402	26.9	13.0
Ophthalmology products	**224,812**	**37.2**	38,367	10.3	486.0
Other products	**2,593**	**0.4**	3,089	0.8	-16.4
Total	**605,123**	**100.0**	372,936	100.0	62.3

During the Reporting Period, the net profit of the Group was approximately RMB186.64 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 23.2% as compared to the corresponding period in 2016. The amortisation charge on intangible asset from business acquisition of the Group (after tax) was approximately RMB8.27 million (the corresponding period in 2016: nil), after excluding the impact of such charge, the net profit of the Group was approximately RMB194.91 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 28.7% as compared to the corresponding period in 2016.

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB175.78 million, representing an increase of approximately 16.0% as compared to the corresponding period in 2016.

During the Reporting Period, the increase in the net profit of the Group and the profit attributable to ordinary equity holders of the Company was mainly attributable to the stable development of the Group's principal business and the initial synergistic effects of acquired business.

During the Reporting Period, the basic earnings per share were RMB1.10 (the corresponding period in 2016: RMB0.95).

During the Reporting Period, the overall gross profit margin of the Group decreased from 83.3% for the corresponding period in 2016 to 79.0%, primarily attributable to the lower overall gross profit margin of the ophthalmology enterprises successively acquired by the Group since the end of 2016 as compared to that of the Group's existing business, as well as the fact that the Group proactively adjusted the selling prices of existing products in order to better adapt to the fast-changing tender policy and the highly competitive market environment, which also resulted to a slight decrease in gross profit margin. In general, the gross profit margin of the Group maintains at a relatively high level.

Orthopedics Products

The Group currently manufactures and sells two products used for intra-articular viscosupplement, one is made of medical sodium hyaluronate and the other is made of medical chitosan. Intra-articular viscosupplementation has been proven to be a safe and effective treatment for degenerative osteoarthritis.

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

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
Sodium hyaluronate injection	**92,664**	**15.3**	98,008	26.3	-5.5
Medical chitosan "Chitogel"	**43,741**	**7.2**	37,067	9.9	18.0
	136,405	**22.5**	135,075	36.2	1.0

According to the research reports of China Food and Drug Administration ("**CFDA**") Southern Medicine Economic Research Institute and Guangzhou Biaodian Medicine Information Co., Ltd.* (廣州標點醫藥信息股份有限公司), we were the largest manufacturer of intra-articular viscosupplement products in China in 2016 for the third consecutive year where our market share increased to 35.4% in 2016 from 34.0% in 2015.

Sodium hyaluronate injection

During the Reporting Period, the Group's revenue from the sales of sodium hyaluronate injection product was approximately RMB92.66 million, representing a decrease of approximately RMB5.34 million or 5.5% from RMB98.01 million for the corresponding period in 2016.

Since 2015, the national policies in respect of adjusting drug purchasing models and drug prices have been issued successively, whereby the provincial and local governments introduced local policies one after another according to the instruction of the central government. Under further pressure on drug bidding price and the full implementation of double control measures in terms of the level and volume of social medical insurance expenditures, the profit margin of medical and pharmaceutical industry was diminishing. During the Reporting Period, in response to the amendments in national policies, the Group adjusted the bidding price and the selling prices of products in certain regions, due to which, the sales revenue from the sodium hyaluronate injection products decreased during the Reporting Period. As a significantly efficacious product extensively used in the world, the sodium hyaluronate injection product still has an extremely low penetration rate in the PRC market. We believe that, with the increasing popularity and acceptance among patient groups in PRC, the sodium hyaluronate injection product has a future sales growth potential that cannot be overlooked.

Medical chitosan "Chitogel"

The Group's revenue from the sales of medical chitosan "Chitogel" products was approximately RMB43.74 million for the Reporting Period, representing an increase of approximately RMB6.67 million or 18.0% from RMB37.07 million for the corresponding period in 2016.

Medical chitosan "Chitogel" product is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC. It can be used to treat degenerative osteoarthritis and is helpful in minimizing joint pains and improving joint mobility. Medical chitosan has effective antimicrobial and hemostatic functions, a longer in vivo retention time and long-lasting therapeutic effect. The Group's medical chitosan "Chitogel" product is characterized by the Group's exclusive water-soluble technology which significantly reduces the rate of allergy and thus fundamentally tackling the safety concerns in relation to the internal use of the product.

The Group has been focusing on the professional promotion and market cultivation of medical chitosan "Chitogel" product, striving to add such product into the local health insurance and cost catalogue gradually. During the Reporting Period, the cost catalogues of more than 20 provinces and cities have included the Group's medical chitosan "Chitogel". The stable quality and significant efficacy of the products are now recognized by an increasing number of doctors and patients.

Medical aesthetics and wound care products

During the Reporting Period, the Group manufactures and sells three products for medical aesthetics and wound care, including HA dermal filler "Matrifill", "Janlane" (collectively, "**HA Products**") and rhEGF "Healin". HA Products can correct moderate to severe facial wrinkles and folds. While rhEGF "Healin" can expedite the repair of skin wounds on epidermis and mucosa, it can be applied topically to various acute or chronic wounds and be used for epidermis wound repair and care subsequent to laser cosmetology surgery.

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

	January to June 2017 *RMB'000* *(unaudited)*	%	January to June 2016 *RMB'000* *(unaudited)*	%	Increase or decrease %
HA Products	**107,111**	**17.7**	80,010	21.5	33.9
rhEGF "Healin"	**20,721**	**3.4**	15,993	4.3	29.6
	127,832	**21.1**	96,003	25.8	33.2

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was RMB127.83 million, representing an increase of approximately RMB31.83 million or 33.2% from RMB96.00 million for the corresponding period in 2016.

HA Products

HA dermal filler "Matrifill", a product launched in the market by the Group in 2014, is the first mono-phase sodium hyaluronate gel for injection approved by the CFDA. It can, through injection into dermis layer, fill facial defect and folded areas to achieve wrinkle removal and facial shaping. This is a product successfully developed by the Group after years of research and development, and has been proven by large-scale randomized clinical trial (with approximately 550 cases) with a good shaping effect and excellent performance in durability. In September 2016, "Dermatologic Surgery", the core journal of American Society for Dermatologic Surgery published a professional article, which cited part of the clinical trial data of Shanghai Ninth People's Hospital, Southwest Hospital, Nanfang Hospital, Changzheng Hospital, Changhai Hospital, 304 Hospital, 301 Hospital and Peking

University Third Hospital. Such trial lasted four years and has been the first dermal filler clinical trial in the largest scale in terms of sampling size in China so far. Through clinical, randomized and double-blinded research comparison, experts found that the required dosage of HA dermal filler "Matrifill" was lower than an internationally renowned brand for achieving the same therapeutic effects, thus the cosmetic injection effect of HA dermal filler "Matrifill" was recognized by internationally authoritative academic institutions.

The Group's self-developed second generation of HA dermal filler "Janlane" has completed the registration for medical device with CFDA on 8 September 2016 and was duly launched on 24 February 2017. HA dermal filler "Janlane", which adopted low temperature double cross linking technology, is mainly promoted for its dynamic filling function. Based on its characteristics and efficacy, it will have differentiated positioning from and supplementary development with the HA dermal filler "Matrifill" that focuses on shaping, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. As of the date of this announcement, the Group has completed the initial targeted delivery of HA dermal filler "Janlane" and launched to 48 cooperative medical and aesthetic plastic institutions within 30 cities in the PRC rapidly.

Moreover, the third generation of HA dermal filler products ("**QST gel**") of the Group has been in the process of the clinical trial phase. The Group can accordingly sustain its leading market position in research and development as well as manufacturing and sale of products in the medical aesthetic and wound care sector. Such products will form combined effects of serialization and differentiation and meet the increasingly segmental and diversified market needs.

The medical aesthetics market in China is experiencing a rapid growth. Along with the growth of social wealth, a new consumption pattern evolves. Under the strong demand and the profit-driven market, the speed of upgrade of medical beauty products and related technology is accelerating. These new products and technology can satisfy consumer demand as well as attract more consumers through increasingly sufficient product supply, improving clinical efficacy and change of consumption concept of the new generation. Meanwhile, attracted by the relatively high profit margin from medical aesthetics products, more competitors attempted to enter into the market and share the growth of the industry. In 2017, more dermal filler products were launched to the market. As of 30 June 2017, 18 products were approved by the CFDA. However, due to many inconsistent practices in the medical aesthetics industry, the government regulation is getting more stringent. As such, the industry will undergo a market selection process under the principle of "survival of the fittest". This poses a higher demand on enterprises in terms of strength in research and development, technology innovation, product quality control and marketing reforms.

Leveraging on its highly competitive research and development in biomedical materials, manufacturing and marketing platforms and technology in the production and quality control of sodium hyaluronate products, the Group fostered the market recognition of domestic HA dermal filler "Matrifill" and "Janlane" products with a professional approach.

In addition, the Group established an independent professional marketing team for HA dermal filler "Matrifill" and "Janlane". With the integrated mode of direct sales to hospitals and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. The management of the Company believes that the traditional and one-sided marketing approach will no longer satisfy the increasingly personalized demands of medical aesthetic consumer groups. Therefore, the marketing team of the Group strived to enhance the consumer experience through multi-dimensional services for medical institutions, practitioners and consumers; build brand attributes and dominate the life-style of consumer groups so as to improve the product adhesiveness and vitality.

During the Reporting Period, the sales revenue of the HA products of the Group increased to approximately RMB107.11 million from approximately RMB80.01 million for the corresponding period in 2016, representing an increase of 33.9%.

The Group will leverage on its continuous innovation in research and development, stable product quality, sound clinical efficacy and effective market management to build a professional leading domestic brand in the sector of non-invasive medical aesthetic in the PRC.

rhEGF "Healin"

We also utilize genetic engineering technology to manufacture innovative biological products that used for wound care. The Group's rhEGF "Healin" is the only product in China that has the same amino acid structure as the epidermal growth factors in human bodies and the first registered rhEGF product in the world. It was approved as Class I new drug by the CFDA in 2001 and was awarded the Second Prize of National Science and Technology Progress Award in 2002. The Group's exclusive patented technology is adopted in the production of rhEGF "Healin", which is relatively more active biologically with significant efficacy in the treatment of wound care. The sales volume of "Healin" products in recent years showed a constantly increasing trend with outstanding market performance.

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the Group strengthened its market position as the second largest manufacturer of rhEGF products in China in 2016 whereas the market share of rhEGF "Healin" products continued to increase from 16.2% in 2015 to 16.4% in 2016, further narrowing the gap with the market leading product.

On 23 February 2017, the Ministry of Human Resources and Social Security of the PRC officially issued the 2017 NRDL, rhEGF "Healin" was reclassified to Class B medical insurance products by lifting the limitation on the work-related injury insurance products on the 2009 NRDL. Advanced jointly by the favourable policies and the Group's efforts on marketing, the Group's revenue from the sales of "Healin" products increased to approximately RMB20.72 million during the Reporting Period from approximately RMB15.99 million for the corresponding period in 2016, representing an increase of 29.6%.

Anti-Adhesion and Hemostasis Products

The Group currently manufactures and sells five post-operative anti-adhesion and hemostasis products, including medical hyaluronate-based and medical chitosan-based anti-adhesion products, as well as medical collagen sponge for hemostasis and tissue filling. These products are widely used in various surgeries to enable quick hemostasis, shorten the operation time and prevent a wide range of tissue and organ adhesion resulting from trauma and injuries in surgical operations.

During the Reporting Period, the breakdown of revenue from anti-adhesion and hemostasis products by specific products is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
Medical chitosan	**69,364**	**11.5**	57,543	15.4	20.5
Medical sodium hyaluronate gel	**34,628**	**5.7**	34,041	9.1	1.7
Medical collagen sponge	**9,490**	**1.6**	8,818	2.4	7.6
	113,482	**18.8**	100,402	26.9	13.0

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB113.48 million, representing an increase of approximately RMB13.08 million or 13.0% as compared to RMB100.40 million for the corresponding period in 2016.

Anti-Adhesion Products

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the anti-adhesion products of our Group maintained at 50.2% in 2016, making our Group the largest anti-adhesion product manufacturer in the PRC for the past tenth consecutive years.

From 2015 to date, certain expert consensus associated with the anti-adhesion products marks the clinical medical concern on anti-adhesion issue. The management of the Company believes that with the promotion of the expert consensus, anti-adhesion products will be increasingly valued by both doctors and patients. It will facilitate the implementation of the provincial and national cost catalogue and medical insurance, hence increasing clinical usage radically and further promoting the continuous growth of the sales of anti-adhesion and hemostasis products of the Group.

Medical Collagen Sponge "奇特邦"

Medical collagen has good hemostatic and tissue filling effect, and thus become a unique biomedical material used in surgical operations for gynaecology and obstetrics, otolaryngology, brain surgery and general surgery. The medical collagen sponge "奇特邦" product of our Group is a refined type I collagen extracted from bovine tendon through the advanced freeze-drying technology. It can accelerate hemostasis and promote wound healing. In the meantime, medical collagen sponge "奇特邦" in various specifications can be used for hemostasis, and various tissues and organs cavity filling to eliminate the residual cavity, thereby shortening the operation time and accelerating wound and tissue healing process after surgeries.

During the Reporting Period, through strengthening marketing and promotion, the Group derived revenue of approximately RMB9.49 million from the sales of medical collagen sponge "奇特邦", representing an increase of approximately RMB0.67 million or 7.6% as compared to RMB8.82 million for the corresponding period in 2016.

Ophthalmology Products

The Group currently manufactures and sells three types of ophthalmology products, including three OVD products, six IOL products, ophthalmic materials that are used for production of ophthalmic products (such as intraocular lens and corneal contact lens), one lubricant eye drops product and other ophthalmology high-valued materials.

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

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 ***(unaudited)***	*%*	*RMB'000* *(unaudited)*	*%*	*%*
Intraocular lens and ophthalmic materials	**178,065**	**29.4**	–	–	100
OVD products	**41,453**	**6.9**	37,192	10.0	11.5
Others	**5,294**	**0.9**	1,175	0.3	350.5
	224,812	**37.2**	38,367	10.3	486.0

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB224.81 million, representing an increase of approximately RMB186.45 million or 486.0% from RMB38.37 million for the corresponding period in 2016.

The Group entered into the ophthalmology high-valued materials industry by completing five acquisitions from 2016 to date. The principal business of each ophthalmic subsidiaries covering research & development and sales of intraocular lens products line and materials, ophthalmic materials, OVD and other ophthalmology high-valued materials and related services. Of which, intraocular lens are core materials in cataract surgery, and can create significant synergy effect when integrated with the Group's existing OVD products and Eyesucom (product of lubricant eye drops), which can not only extend the Group's ophthalmology products line but also expand the Group's recognition in cataract surgery market. During the Reporting Period, the Group' s revenue from the sales of intraocular lens and ophthalmic materials mainly include revenue recorded by its subsidiaries Shenzhen NIMO, Henan Universe, Zhuhai Eyegood and Aaren Laboratories, as well as sales revenue generated by Contamac Holdings for the period since acquired by the Group.

OVD products are the necessary devices for cataract surgery and can be used for other ophthalmic operations. Among the main brands of OVD products in the PRC, the Group's products have prominent competitive advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the Group's OVD products was 41.9% in 2016 and accounted over 40% market share for the past tenth consecutive years, making the Group the largest OVD product manufacturer in the PRC.

Cataract is the number one of blindness-causing diseases in the world. Currently, the only effective treatment for cataract is intraocular lens implantation through cataract surgery. In 2015, the cataract surgery rate ("**CSR**") per million of Europe, the United States, Japan and other developed countries has reached 9,000. In contrast, the CSR of China is only 1,500 in 2015 and only 2,070 in 2016. Although this number represents a significant increase over the previous year, it is still far below the data of developed countries. According to a calculation based on the 2016 CSR data, the national cataract surgery CSR is only about 2.69 million. On the other hand, according to the statistics of the Chinese Ophthalmological Society, the incidence of illness cataract for those in the 60-89 age group is 80% and those in the age group over 90 is 90%. There is still a greater room to improve the cataract surgery operation rate since the market popularity of relevant ophthalmic products is relatively low to date. The management of the Company believes that the Group is expected to gain significant market share advantage in the fast-growing PRC market of high-valued ophthalmology materials through the aforementioned acquisition of the entire industry chain and the effective integration with the original business.

Research and Development ("R&D")

The Group owns three R&D bases which are named as Shanghai municipal R&D institutions, one national postdoctoral R&D workstation and one Shanghai municipal academician expert workstation. As at 30 June 2017, the Group's in-house R&D team comprised 207 staff members, of which 160 were degree holders or above, 19 were doctorate degree holders and 59 were master's degree holders. All core products of the Group were primarily developed by its in-house R&D team with the support of various colleges and universities, research institutes and sizable "Grade III" hospitals across China.

As at 30 June 2017, the Group owns 55 product licenses and 33 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 3 products; clinical trials for 4 products have been completed and are now at the stage of product registration; 9 products are undergoing different stages of clinical trials or type inspection; and 17 products are undergoing the stages of preclinical study or technology study.

In the short to medium term, the Group will focus on the development of the third generation of HA dermal filler "QST gel", fibrin sealant products, second generation of thermal-sensitive chitosan products and new intraocular lens products, and expand specification and indication of the Group's existing products in the market.

In the long term, the Group intends to expand its R&D capabilities to further develop the medical chitosan technology platform, which is elected and supported by the National High-Tech R&D Program ("**863 Program**") and the major project of National Science and Technology under the "12th Five-Year Plan", as well as the electrospinning technology platform (elected as the major project of National Science and Technology) to further expand the Group's product offerings in the product sectors of sustained-release preparations, new compound anti-adhesion and hemostasis membrane products.

During the Reporting Period, the China National Center for Biotechnology Development under the Ministry of Science and Technology published the proposed project list in 2017 of five special projects for the National Key Research and Development Programs under the "13th Five-Year Plan", such as "Research & Development of Biological Medicine Materials and Repair and Replacement of Tissues and Organs" (生物醫用材料研發與組織器官修復替代) (the "**Project**"), of which, the project on "Research & Development of New Intraocular Lens and High-end Ophthalmic Implant Materials" led by the Group was successfully included into the said program. The financial support expected to be received is approximately RMB11.72 million. As of the date of this announcement, the Project has been duly formulated. The National Key Research and Development Programs under the "13th Five-Year Plan" is a combination of the former 973 Program, 863 Program and National Technology Support Program, which aim to address major scientific issues that faced with national strategies. The approval of the Project offers in-depth support to the Group on improving the quality and market competitiveness of intraocular lens product and its strategic plan related to replacement of imported products.

The management of the Company believes that the Group's proven strong competence in R&D will become one of the long-standing core competitive edges of the Group and serves as a promise of the stable growth and development of our core business in the future.

Sales and Product Marketing

The Group operates a marketing model that combines with distribution and direct sales, and owns extensive and effective sales network in China.

As at 30 June 2017, the Group's distribution network comprised over 1,800 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions in China. In addition to the distribution network, the Group also had four professional teams, namely, specific markets, medical, commercial and sales teams who are responsible for formulating standardized marketing and sales policies, product trainings, academic promotions, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Group's products and keeping abreast of any changes to market needs. The four teams work independently yet complementing each other, centralizing the beneficial resources of the Group to assist the Group's products to expand their market shares rapidly and effectively.

During the Reporting Period, the Group derived revenue of approximately RMB430.04 million and RMB175.08 million (the corresponding period in 2016: RMB276.11 million and RMB96.83 million) from the sales of its products through distributors and from direct sales, respectively, which accounted for 71.1% and 28.9% (the corresponding period in 2016: 74.0% and 26.0%) of the Group's sales revenue.

The management of the Company believes that the Group's broad coverage of hospitals and other medical institutions and its capabilities of identifying and managing distributors are serving as the major competitive strengths. Accordingly, the Group is able to acquire adequate market information for accurate positioning of newly developed products, and to effectively promote them to the target market by means of its outstanding distributors and sales network with broad coverage. As a result, this lays a solid foundation for continuously enhancing the reputation of the Group's products and brand, expanding the market share and increasing the sales of the products.

OPERATING PROSPECTS IN THE SECOND HALF OF 2017

Recently, the continual growth of the pharmaceutical and healthcare industry in China is driven by a combination of favourable socioeconomic factors. However, following the announcement and implementation of various policies, the reform of pharmaceutical and healthcare system in China has been further deepened. Tendering reforms such as the Sunshine Procurement Platform, Beijing-Tianjin-Hebei Integration and the Zhejiang Model are propelling industry integration, transformation of operating models and price competition within the industry. The management of the Company believes that the year of 2017 will be full of challenges for the medical and pharmaceutical industry in China. Meanwhile, along with the efforts in advancing the notion of building a healthy China, the domestic industrialization progress of medical and pharmaceutical industry and reforms of weeding out obsolete capacities, enterprises benefiting from the advantage of scale and in possession of advanced technologies, well established brands, marketing competitive edge and industrial integration capabilities will experience invaluable development opportunities.

In the second half of 2017, the Group will continue to put the proceeds raised to effective use; proactively extend the business scale to the deeper and broader market of ophthalmology on the basis of the whole existing industry chain layout centered on IOL products; explore the fast-growing therapeutic fields of medical aesthetic, orthopedics and surgery; actively identify suitable target companies and to achieve expansionary business growth through acquisitions, capital increase or equity participation.

In the second half of 2017, the Group will continue to focus on the organic growth of the existing segments by the following means:

- enhancing the manufacturing capacity of major products and upgrade the manufacturing facilities of merged companies by improving the quality of products and production efficiency through more intelligent and numerical manufacturing facilities;

- pushing forward the construction of the Group's information technology-based system comprehensively, focusing on and strengthening digital intelligence management of the good manufacturing practices (the "**GMP**") system, bidding and tender as well as distributors' network;

- pushing forward the upgrade of existing products, expanding investment in R&D of innovative products to fulfil market demands, promoting the clinical applications of products, supporting the technical improvements of intraocular lens products and accelerating the replacement of imported goods;

- taking a series of marketing measures to intensify market penetration of original competitive products and expanding the coverage of the new products on key hospitals and areas via a refined multi-dimensional marketing strategy. In the new situation of pharmaceutical marketing, we will increasingly emphasize the compliance management, further advance the development of professional marketing services.

Orthopedics Products

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer cultivation cycle, possesses the advantages of high clinical recognition and relatively broad application. In the second half of 2017, the Group will follow the national policy and proactively respond to the reform of bidding and tender. The Group will also adjust the selling price of sodium hyaluronate injection to a certain extent to benefit more patients and stabilize the extensive coverage of the Group's sodium hyaluronate injection product for intra-articular viscosupplement products market.

On the other hand, Chitogel, the Group's exclusively-owned medical chitosan product used for intra-articular viscosupplement, is the only Class III medical device product with the registration certificate in China. The product has the significant advantages of minimized injection dosage and long-lasting therapeutic effect. The management of the Company has designated differentiated clinical applications, target market and price positioning for the medical chitosan "Chitogel" product, actively enhanced their marketing promotion and sales, and strived to penetrate the market, to secure the overall profitability of orthopedics products through the continuous growth in sales of such product. While implementing the above strategies effectively, the Group will also explore and develop new products, to achieve the synergic development of these orthopedics products, thereby securing the leading position of the Group in the market of intra-articular viscosupplement products in China.

Medical Aesthetics and Wound Care Products

In the second half of 2017, leveraging on its highly competitive R&D, manufacture and sales platforms in medical biological materials, the comprehensive superiority in the processing technology and quality control of hyaluronic acid products, the Group will continue to provide safe, effective and high-quality products for medical institutions and consumers. With the existing HA dermal filler "Matrifill" and "Janlane" as well as the product series to be launched subsequently, the increasingly refined and diversified market demands can be satisfied. With regards to marketing, the Group will be proactive in exploring the market of its key commercial partners while expanding the coverage in medical institutions.

Anti-Adhesion and Hemostasis Products

In respect of the current market landscape of anti-adhesion products, there are various types of products in the Chinese market and market concentration is relatively high. The top three manufacturers, representing nearly 80% of the market share in aggregate. Recently, more challenges are posed during product renewal and new product registrations as the government continued to raise demands on the quality of such products. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. Meanwhile, the Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. The Group is able to provide a series of products with the most comprehensive and integrated specifications. The detailed designs can render more user-friendly products and further cater for clinical needs, thus cultivating a brand preference for medical practitioners. In the second half of 2017, the Group will enhance the market recognition and acceptance of the products among clinical surgery by putting more efforts in professional promotion, preparing for the rapid growth of such products.

Ophthalmology Products

The Group focuses on the investment and industrial integration of the ophthalmic high-valued materials, pharmaceuticals and diagnosing equipment used in ophthalmology surgery in China. In the second half of 2017, leveraging on its management team's brilliant track record, resource advantages and rich experiences in integrating strategic assets, the Group will seek to streamline and integrate the internal and external products, technology, talents and other resources, aiming to promote the application of new materials and leverage on the advantages of overseas technological platform. The Group is committed to develop domestic IOL products and promote the domestic industrialization of overseas matured IOL production technology, aiming to enhance the productivity, quality and market competitiveness of domestic enterprises, which in turn achieves replacement of imported products with domestic products in domestic market and expansion to international market, to explore the potential ophthalmology market with global customers. In addition, the Group will explore the development of ophthalmic treatments in glaucoma, fundus and dry eyes and build an industry foundation for its future business growth with efficient industry integration.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate operating revenue of approximately RMB605.12 million, representing an increase of 62.3% as compared to the corresponding period in 2016, which was primarily attributable to the increased sales volumes of the Group's various major products, especially products from acquisition business of the ophthalmology section. Following the growth in revenue, the cost of sales of the Group amounted to approximately RMB127.29 million, representing an increase of 104.41% as compared to the corresponding period in 2016.

The overall gross profit margin of the Group decreased from 83.3% for the corresponding period in 2016 to 79.0% for the Reporting Period, primarily due to the lower overall gross profit margin of the ophthalmology enterprises successively acquired by the Group since the end of 2016 as compared to that of our existing businesses. In general, the gross profit margin of the Group was still at a relatively high level.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from approximately RMB129.84 million for the corresponding period in 2016 to approximately RMB213.34 million for the Reporting Period, representing an increase of approximately RMB83.50 million. The proportion of selling and distribution expenses to the Group's total revenue increased from 34.8% for the corresponding period in 2016 to 35.3% for the Reporting Period. The general increase in the selling and distribution expenses of the Group during the Reporting Period was primarily due to the existing selling and distribution expenses incurred by ophthalmology enterprises successively acquired since the end of 2016. In addition, the Group's increasing involvement in academic promotion and launching campaign of new products such as HA dermal filler product "Janlane" during the Reporting Period also led to the increase in selling expenses.

Administrative Expenses

The administrative expenses of the Group increased from approximately RMB25.20 million recorded for the corresponding period in 2016 to approximately RMB65.76 million for the Reporting Period, representing an increase of approximately RMB40.56 million. The administrative expenses to the Group's total revenue increased from 6.8% for the corresponding period in 2016 to 10.9% for the Reporting Period. The general increase in the administrative expenses of the Group during the Reporting Period was primarily due to the existing administrative expenses incurred by the ophthalmology enterprises acquired since the end of 2016 and the amortization charge of intangible assets from business acquisitions. Moreover, the increase in service fees of professional institutions and domestic and overseas travelling expenses with respect to the business acquisitions of the Group also contributed to increased administrative expenses.

R&D Expenses

The R&D expenses of the Group increased from approximately RMB20.73 million recorded for the corresponding period in 2016 to approximately RMB32.12 million for the Reporting Period, representing an increase of approximately RMB11.39 million, primarily due to the existing R&D expenses from the ophthalmology enterprises acquired since the end of 2016. Meanwhile, as the Group continued to enlarge its R&D investments, more pipeline products also resulted in the growth in R&D expenses. During the Reporting Period, the proportion of R&D expenses accounted for 5.3% (the corresponding period in 2016: 5.6%) of the total revenue of the Group. With the Group's rich product pipeline under development and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for the sustainable growth of the Group in the future.

Income Tax Expense

During the Reporting Period, the income tax expense of the Group increased from approximately RMB26.61 million for the corresponding period in 2016 to approximately RMB35.41 million for the Reporting Period, representing an increase of approximately RMB8.80 million.

The effective rate of income tax for the Group slightly increased from 14.9% for the corresponding period in 2016 to 15.9% for the Reporting Period, primarily due to higher tax rate applicable to some enterprises acquired by the Group since 2016.

Interim Results

Due to the above reasons, the Group's profit attributable to ordinary equity holders of the parent amounted to approximately RMB175.78 million during the Reporting Period, representing an increase of approximately 16.0% as compared to the corresponding period in 2016. During the Reporting Period, the Group's amortization charge of intangible assets incurred by acquisitions after tax was approximately RMB8.27 million (the corresponding period in 2016: nil). Excluding such impact, the Group's profit during the Reporting Period was approximately RMB194.91 million, representing an increase of approximately 28.7% as compared to the amount of RMB151.44 million for the corresponding period in 2016.

During the Reporting Period, the basic earnings per share were RMB1.10 (the corresponding period in 2016: RMB0.95). The results of the Reporting Period realized a steady growth, primarily attributable to the growth of revenue from sales and the enhanced profitability of the Group.

Liquidity and Capital Resources

As at 30 June 2017, the total current assets of the Group was approximately RMB2,286.15 million, representing a decrease of approximately RMB202.01 million as compared to the amount as at 31 December 2016, and the total current liabilities was approximately RMB456.83 million, representing a decrease of RMB79.33 million as compared to the amount as at 31 December 2016. As at 30 June 2017, the Group's current assets to liabilities ratio was approximately 5.00 (31 December 2016: 4.64).

Capital Structure

There has been no change in the capital structure of the Company since 31 December 2016. The capital structure of the Company comprises cash and bank balances as well as equity attributable to ordinary equity holders of the parent (including share capital and reserves).

Capital Expenditures

Our capital expenditures comprised expenditures on property, plant and equipment, other intangible assets and prepaid land lease payments (not including the addition from acquisition of a subsidiary). During the six months ended 30 June 2017, the Company's total capital expenditures were approximately RMB32.76 million.

Employees and Remuneration Policy

The Group had 1,036 employees as of 30 June 2017. The breakdown of our total number of employees by function was as follows:

Production	376
Research and Development	207
Sales and Marketing	280
Supply	24
Administration	149
Total	1,036

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provided various and thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. 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 RMB68.64 million. The management of the Company will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the internal and external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the security and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short term deposits denominated in RMB, US dollar and HKD. It is the Group's policy to enter into principal guaranteed and conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

Asset Pledge

As at 30 June 2017, one of the subsidiaries of the Group's bank borrwings of GBP2.21 million (equivalent to approximately RMB19.50 million) was secured by the pledge of certain of its property, plant and equipment with the carrying amount of GBP3.23 million (equivalent to approximately RMB28.48 million) (31 December 2016: nil).

Gearing

As at 30 June 2017, the total liabilities of the Group amounted to approximately RMB697.52 million and the gearing ratio (total liabilities/total assets) x 100%) was 18.2% as compared to 19.2% as at 31 December 2016. The decrease as compared to the end of 2016 was primarily due to the Group's final payment for part of the business acquisitions during the Reporting Period.

Bank Borrowings

As at 30 June 2017, Shenzhen NIMO, a subsidiary of the Group, and Contamac Holdings, a subsidiary acquired during the Reporting Period, had interest-bearing bank borrowings of approximately RMB5.67 million and GBP2.21 million (totaling approximately RMB19.50 million) respectively (31 December 2016: RMB26.67 million). For details, please refer to note 10 to the interim condensed consolidated financial statements as contained in this announcement.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of the date of this announcement.

Significant Investment

Save as disclosed in this announcement, the Group has no significant investment during the Reporting Period.

Material Acquisition

During the Reporting Period, the Group acquired 70% of the share capital in Contamac Holdings, a UK IOL, ophthalmic materials and technology supplier, with a cash consideration of GBP24,500,000 (equivalent to approximately RMB215,563,000). For details, please refer to the announcement of the Company dated 13 April 2017.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly 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 in the future. During the Reporting Period and as at 30 June 2017, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

Material Events after the Reporting Period

From 30 June 2017 to the date of this announcement, there were no significant events after the Reporting Period.

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 during the Reporting Period.

Interim Dividend

The Board does not recommend interim dividend for the six-month period ended 30 June 2017 (for the six-month period ended 30 June 2016: nil).

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 during the Reporting Period. 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 for Securities Transactions by Directors of Listed Issuers (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 Reporting Period.

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, risk management and internal control system. The Group's unaudited condensed consolidated financial statements for the Reporting Period 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.hk) and the Company's website (www.3healthcare.com).

The Company's 2017 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.hk) 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, 30 August 2017

As at the date of this announcement, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Huang Ming, Ms. Chen Yiyi and Mr. Tang Minjie; 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*