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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

During the Reporting Period, the Group recorded a revenue of RMB2,634.91 million, representing an increase of RMB531.47 million, or 25.27%, as compared to the corresponding period in 2022.

During the Reporting Period, the Group's R&D expenses amounted to approximately RMB220.10 million, representing an increase of RMB37.91 million, or approximately 20.81%, as compared to the corresponding period in 2022. The R&D expenses remained high at 8.35% of the revenue (2022: 8.66%).

During the Reporting Period, the Group's net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring profit or loss was approximately RMB416.12 million and RMB383.41 million respectively, representing an increase of 130.58% and 141.52% as compared to the corresponding period in 2022.

The Board has proposed to declare the final dividend of RMB1.00 (inclusive of tax) per share for the year ended 31 December 2023 (2022: RMB0.40 per share); and to issue 4 new shares to shareholders for every 10 existing shares in the Company from reserves (2022: nil).

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
REVENUE	*4*	**2,634,910**	2,103,438
Cost of sales		**(781,401)**	(656,515)
Gross profit		**1,853,509**	1,446,923
Other income and gains, net	*4*	**134,286**	147,852
Selling and distribution expenses		**(814,508)**	(679,532)
Administrative expenses		**(422,346)**	(405,304)
Reversal of impairment losses/(impairment losses) on financial assets, net		**1,973**	(15,516)
Research and development costs		**(220,098)**	(182,192)
Other expenses		**(17,717)**	(72,407)
Finance costs		**(7,295)**	(7,603)
Share of profits and losses of:			
A joint venture		**–**	3,204
An associate		**456**	301
PROFIT BEFORE TAX	*5*	**508,260**	235,726
Income tax expense	*6*	**(95,991)**	(45,395)
PROFIT FOR THE YEAR		**412,269**	190,331
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**36,258**	18,401
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		**36,258**	18,401

	Notes	2023 RMB'000	2022 RMB'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(40,700)**	(112,896)
Income tax effect		**(3,390)**	4,865
		(44,090)	(108,031)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(44,090)**	(108,031)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(7,832)**	(89,630)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**404,437**	100,701
Profit attributable to:			
Owners of the parent		**416,121**	180,470
Non-controlling interests		**(3,852)**	9,861
		412,269	190,331
Total comprehensive income attributable to:			
Owners of the parent		**402,952**	86,778
Non-controlling interests		**1,485**	13,923
		404,437	100,701
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the year	8	**2.44**	1.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,407,916**	1,286,396
Right-of-use assets		**207,130**	222,441
Other intangible assets		**574,876**	620,416
Goodwill		**413,021**	411,199
Investment in a joint venture		**–**	–
Investment in an associate		**3,471**	3,028
Equity investments designated at fair value through other comprehensive income	*9*	**603,630**	668,412
Deferred tax assets		**53,124**	59,323
Other non-current assets		**92,185**	89,068
Total non-current assets		**3,355,353**	3,360,283
CURRENT ASSETS			
Inventories		**526,174**	485,239
Trade and bills receivables	*10*	**337,083**	388,275
Prepayments, other receivables and other assets		**122,125**	104,851
Financial assets at fair value through profit or loss		**11,083**	–
Assets classified as held for sale		**13,000**	9,159
Pledged deposits		**680**	2,877
Cash and bank balances		**2,739,999**	2,541,715
Total current assets		**3,750,144**	3,532,116
CURRENT LIABILITIES			
Trade payables	*11*	**55,108**	54,533
Other payables and accruals		**409,816**	397,710
Interest-bearing bank and other borrowings	*12*	**216,625**	34,378
Tax payable		**34,402**	24,654
Total current liabilities		**715,951**	511,275
NET CURRENT ASSETS		**3,034,193**	3,020,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,389,546**	6,381,124

	Notes	2023	2022
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**191,324**	83,880
Other payables and accruals		**4,500**	4,500
Deferred tax liabilities		**161,665**	163,508
Deferred income		**13,625**	5,500
Provision		**1,139**	793
Other non-current liabilities		**–**	220,560
Total non-current liabilities		**372,253**	478,741
Net assets		**6,017,293**	5,902,383
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	*13*	**171,477**	174,130
Treasury shares	*13*	**(248,455)**	(74,042)
Reserves		**5,727,042**	5,414,521
		5,650,064	5,514,609
Non-controlling interests		**367,229**	387,774
Total equity		**6,017,293**	5,902,383

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 "**HKSE**") since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 ("**A Share Offering**"). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the "**SSE**") since 30 October 2019. The total number of issued shares of the Company after the A Share Offering was 177,845,300 (comprising 40,045,300 H Shares and 137,800,000 A Shares).

During the period from March 2020 to May 2023, the Company repurchased and completed the cancellation of a total of 7,150,200 H shares. In May, September, and December 2023, a total of 782,158 A shares were issued to eligible participants pursuant to the completion of attribution of the first and reserved grants under the Company's 2021 Restricted A Share Incentive Scheme. From August to December 2023, the Company repurchased 3,296,500 H shares and 1,089,486 A shares. As of the date of this report, the aforementioned repurchased shares have not been cancelled yet.

Throughout the fiscal year ended 31 December 2023, the Group's primary activities were focused on the manufacture and sale of biologicals, medical hyaluronate and ophthalmology products, alongside with research and development of biological engineering. Furthermore, the Group was involved in the production and distribution of pharmaceutical and ophthalmology products, as well as offering related services.

In the opinion of the directors, the ultimate controlling stakeholders 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/Mainland China 27 May 1992	RMB160,000,000	100	–	Manufacture and sale of biological reagents, biologicals and biological materials
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC/Mainland China 3 September 2001	RMB250,000,000	70	–	Research and development, consultation and services of biological engineering and pharmaceutical products and related technology transfer

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
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/Mainland China 23 April 1991	RMB9,923,200	–	100	Manufacture and sale of intraocular lens 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* ("**NIMO**")	PRC/Mainland China 27 April 2006	RMB11,000,000	–	80	Sale of ophthalmology products
Contamac Limited	United Kingdom 10 May 1991	GBP1,000	–	79	Manufacture and sale of contact lens and intraocular lens material, machines and accessories
歐華美科(天津)醫學科技有限公司 Ouhua Meike (Tianjin) Medical Technology Co., Ltd. ("**JUVA MEDICAL**")	PRC/Mainland China 12 May 2014	RMB126,500,000	100	–	Sale machines of medical aesthetics, professional life cosmetology and home cosmetology
EndyMed Ltd.	Israel	ILS2,749,248	–	49	Research and development of radiofrequency instruments and product and sale of radiofrequency instruments

* English translations of names for identification purposes only

* All of the Company's subsidiaries registered in the PRC are limited liability companies under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and certain other payables and accruals, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 30 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the manufacture and sale of biologicals, medical hyaluronate and intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, management monitors the operating results of the Group's operating segment as a whole for the purpose of making decision about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**2,181,814**	1,699,078
Europe	**136,051**	140,814
USA	**120,277**	103,717
Other regions and countries	**196,768**	159,829
Total revenue	**2,634,910**	2,103,438

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**2,199,447**	2,152,373
U.K.	**282,825**	256,350
USA	**31,047**	33,587
Other regions and countries	**185,280**	190,238
Total non-current assets	**2,698,599**	2,632,548

The non-current asset information of continuing operations above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,634,910**	2,103,438

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods sold		
Medical aesthetics and wound care products	**1,052,801**	744,342
Ophthalmology products	**924,650**	765,969
Orthopedic products	**474,259**	386,477
Antiadhesion and hemostasis products	**145,924**	176,272
Other products	**37,276**	30,378
Total	**2,634,910**	2,103,438
Timing of revenue recognition		
Goods transferred at a point in time	**2,631,224**	2,096,764
Services rendered over time	**3,686**	6,674
Total	**2,634,910**	2,103,438

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of products and payment is generally due within six months from delivery, except for distributors, where payment in advance is normally required.

Equipment technical service

The performance obligation is satisfied over time as services are rendered. Service contracts are billed based on the time incurred or monthly.

Other income and gains

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**77,731**	86,446
Government grants	**41,820**	40,276
Dividend income from equity investments designated at fair value through other comprehensive income	**423**	678
Interest income from debt investment	**–**	1,437
Gain on disposal of items of property, plant and equipment	**627**	185
Others	**13,685**	18,830
Total other income and gains	**134,286**	147,852

Note:

Various government grants have been received from local government authorities in various regions in the PRC, for compensating research activities. The government grants released have been recorded in other income and gains, among which there were no unfulfilled conditions or contingencies relating to these recognised government grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**781,401**	656,515
Depreciation of property, plant and equipment	**112,557**	112,111
Depreciation of right-of-use assets	**24,388**	22,262
Amortisation of other intangible assets	**60,910**	69,844
Auditor's remuneration	**2,545**	2,780
Research and development costs	**220,098**	182,192
Lease payments not included in the measurement of lease liabilities	**4,652**	4,562
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**577,016**	495,058
Pension scheme contributions	**53,065**	38,157
Equity-settled share option expense	**14,301**	30,229
Foreign exchange differences, net	**5,614**	2,684
Impairment losses on financial assets, net:		
(reversal of impairment)/Impairment of trade receivables, net	**(2,078)**	14,795
Impairment of financial assets included in prepayments, other receivables and other assets, net	**105**	721
Impairment loss on property, plant and equipment	**–**	6,936
Impairment loss on other intangible assets	**–**	29,561
Impairment loss on goodwill	**–**	9,574
Write-down of inventories to net realisable value	**6,741**	8,168
Bank interest income	**(77,731)**	(86,446)
Interest income from debt investment	**–**	(1,437)
Net loss on disposal of a subsidiary	**–**	90
Net loss on disposal and obsolescence of items of property, plant and equipment	**(591)**	417

6. INCOME TAX

The Company is registered in the PRC and is subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company, Shanghai Qisheng, Shanghai Jianhua Fine Biological Products Co., Ltd. ("**Shanghai Jianhua**"), Henan Universe, and Qingdao Huayuan Fine Biological Product Co., Ltd. ("**Qingdao Huayuan**") were accredited as high and new-tech enterprises (the "**HNTE**") for the three years from 2023 to 2025 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2023 for the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan.

NIMO, Hangzhou Aijinglun Technology Co., Ltd. ("**Hangzhou Aijinglun**") and Sanhe Leike Optoelectronics Technology Co., Ltd. ("**Laserconn**") were accredited as HNTE for the three years from 2022 to 2024 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during 2023 for NIMO, Hangzhou Aijinglun and Laserconn.

The applicable tax rate for the other subsidiaries registered in Chinese Mainland was 25% (2022: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

The profits tax for subsidiaries in the USA has been provided at the rate of 21% (2022: 21%) on the estimated assessable profits arising in the USA during the year.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 25% (2022: 19%) on the estimated assessable profits arising in the U.K. during the year.

The profits tax for subsidiaries in France has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising in France during the year.

The profits tax for subsidiaries in Israel has been provided at the rate of 23% (2022: 23%) on the estimated assessable profits arising in Israel during the year.

	2023	2022
	RMB'000	*RMB'000*
Current		
Charge for the year	**95,774**	66,521
Under provision in prior years	**2,160**	596
Deferred	**(1,943)**	(21,722)
Total tax charge for the year	**95,991**	45,395

7. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed final – RMB1.00 (2022: RMB0.40) per ordinary share	**166,834**	68,508

On 8 March 2024, the directors proposed to (1) declare the final dividend of RMB1.00 (inclusive of tax) per ordinary share, amounting to RMB166,833,930 for the year ended 31 December 2023, based on the total number of shares issued by the Company and deducting total shares which have been repurchased but not cancelled by the Company as of 8 March 2024; and (2) issue 4 new shares for every 10 existing shares of the Company to the shareholders by transferring reserve to share capital. The above plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 24 March 2023, the directors proposed to declare the final dividend of RMB0.40 (inclusive of tax) per ordinary share, amounting to RMB68,508,400 for the year ended 31 December 2022, which was paid in 2023 to shareholders of the Company.

8. 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 for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 170,531,137 (2022: 173,562,775) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The Group has a share option scheme that has an anti-dilution effect on earnings per share, so the amounts of diluted earnings per share and basic earnings per share are the same.

The calculation of basic and diluted earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**416,121**	180,470

	Numbers of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**170,531,137**	173,562,775

9. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	**5,659**	38,885
Raily Aesthetic Medicine International Holdings Ltd.	**4,350**	7,012
Aesthetic Medical International Holdings Group Limited	**1,222**	2,246
Subtotal	**11,231**	48,143
Unlisted equity investments		
Shenwu No.1 Investment Product	**239,136**	268,156
Eirion Therapeutics, Inc.	**169,985**	167,150
Shanghai Semecell Technology Co., Ltd.	**96,000**	76,129
Jiangsu Meifengli Medical Technology Co., Ltd.	**52,800**	52,800
ArcScan, Inc.	**17,395**	39,218
Genzhishiguang Technology (Shanghai) Co., Ltd	**10,000**	5,000
Ornovi, Inc.	**7,083**	6,965
Shanghai Resthetic Biotechnology Co., Ltd.	**–**	4,851
Subtotal	**592,399**	620,269
Total	**603,630**	668,412

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2023, the Group disposed a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of disposal was approximately RMB14,565,000 and the accumulated gain recognised in other comprehensive income of approximately RMB9,719,000 was transferred to retained earnings.

During the year ended 31 December 2023, the Group disposed of its investment in Jiangsu Meisikang Medical Technology Co., Ltd. The fair value on the date of disposal was approximately RMB9,800,000 and the accumulated gain recognised in other comprehensive income of approximately RMB1,801,000 was transferred to retained earnings.

During the year ended 31 December 2022, the Group disposed its investment in Shanghai Lunsheng Information Technology Co., Ltd. The fair value on the date of disposal was approximately RMB8,360,000 and the accumulated gain recognised in other comprehensive income of approximately RMB760,000 was transferred to retained earnings.

During the year ended 31 December 2022, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of disposal was approximately RMB708,000 and the accumulated gain recognised in other comprehensive income of approximately RMB437,000 was transferred to retained earnings.

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Bills receivable	**9,222**	6,749
Trade receivables	**364,880**	420,390
Impairment	**(37,019)**	(38,864)
Net carrying amount	**337,083**	388,275

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to twelve 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 receivables are non-interest-bearing.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**328,230**	380,116
1 to 2 years	**8,853**	8,159
2 to 3 years	**–**	–
Over 3 years	**–**	–
Total	**337,083**	388,275

11. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**55,108**	54,533

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**51,602**	36,752
3 months to 1 year	**1,197**	15,966
Over 1 year	**2,309**	1,815
Total	**55,108**	54,533

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate *(%)*	***Maturity***	***RMB'000***	Effective interest rate *(%)*	*Maturity*	*RMB'000*
Current						
Lease liabilities	**4.24-5.80**	**2024**	**20,310**	4.24-5.80	2023	21,359
Bank loans						
unsecured *(e)*	**3.10**	**2024**	**10,000**	–	–	–
pledged *(a)*	**–**	**–**	**–**	3.51	2023	5,314
Current portion of						
long term other loans						
guaranteed *(c)*	**2.25**	**2024**	**1,332**	2.25	2023	1,486
long term other loans						
unsecured *(b)*	**–**	**–**	**–**	–	2023	219
Current portion of						
long term bank loans						
guaranteed *(c)*	**0.73**	**2024**	**1,219**	–	–	–
unsecured *(d)*	**2.3-2.65**	**2024**	**183,764**	2.85	2023	6,000
Total – current			**216,625**			34,378
Non-current						
Lease						
liabilities	**4.24-5.80**	**2024-2029**	**33,883**	4.24-5.80	2024-2029	39,900
Bank loans						
unsecured *(d)*	**2.3-2.65**	**2024-2026**	**153,373**	2.85	2024	35,745
guaranteed *(c)*	**0.73**	**2024-2026**	**1,907**	0.73	2023-2026	5,354
Other loans						
unsecured *(b)*	**–**	**–**	**–**	–	2024	97
guaranteed *(c)*	**2.25**	**2024-2026**	**2,161**	2.25	2023-2026	2,784
Total – non-current			**191,324**			83,880
Total			**407,949**			118,258

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**194,983**	11,314
In the second year	**44,659**	39,270
In the third to fifth years, inclusive	**110,621**	1,829
Subtotal	**350,263**	52,413
Other borrowings repayable:		
Within one year or on demand	**21,642**	23,064
In the second year	**17,002**	18,957
In the third to fifth years, inclusive	**14,884**	19,061
Beyond five year	**4,158**	4,763
Subtotal	**57,686**	65,845
Total	**407,949**	118,258

Notes:

(a) The pledged bank loans obtained by NIMO in 2022, have been matured and fully repaid in 2023.

(b) The unsecured other loan represented an interest-free government loan obtained by ODC Industries, which has been matured and fully repaid in 2023.

(c) The guaranteed bank and other loans represent the loans obtained by Bioxis guaranteed by the government.

(d) The unsecured bank loans represent the loans obtained by the Company, Shanghai Qisheng and Haohai Development with interest rates of 2.3%-2.65%.

(e) The short term unsecured bank loans represent the loans obtained by Shanghai Qisheng in 2023.

13. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:171,477,258 (2022: 174,130,100) ordinary shares of RMB1.00 each	**171,477**	174,130

A summary of the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*
At 31 December 2021 and 1 January 2022	**175,822,100**	175,822
Cancellation of repurchased H shares *(note 1)*	**(1,692,100)**	(1,692)
At 31 December 2022 and 1 January 2023	**174,130,000**	174,130
Issue of A shares *(note 3)*	**782,158**	782
Cancellation of repurchased H shares *(note 2)*	**(3,434,900)**	(3,435)
At 31 December 2023	**171,477,258**	171,477

Note 1:

During the year ended 31 December 2022, the Company repurchased 4,551,100 H shares as treasury shares, which accounted for approximately 2.5885% of the Company's total share capital, at a total consideration of approximately HK$174,546,000 (equivalent to approximately RMB147,672,000). 1,692,100 H shares were cancelled on 7 July 2022. The remaining 2,859,000 H shares, at a total consideration of approximately HK$84,393,000 (equivalent to approximately RMB74,042,000) were accounted as treasury shares as of 31 December 2022.

Note 2:

On 14 February 2023, the aforementioned 2,859,000 H Shares were cancelled. In addition, during the year ended 31 December 2023, the Company repurchased 3,872,400 H shares as treasury shares, which accounted for approximately 2.2239% of the Company's total share capital, at a total consideration of approximately HK$167,506,000 (equivalent to approximately RMB152,816,000). 575,900 H shares were cancelled on 16 June 2023. The remaining 3,296,500 H shares, at a total consideration of approximately HK$143,204,000 (equivalent to approximately RMB131,294,000) were accounted as treasury shares as of 31 December 2023.

During the year ended 31 December 2023, the Company also repurchased 1,089,486 A shares as treasury shares, which accounted for approximately 0.6257% of the Company's total share capital, at a total consideration of approximately RMB117,161,000. These repurchased A shares were not cancelled and accounted as treasury shares as of 31 December 2023.

Note 3:

The subscription rights attaching to 782,158 share options were exercised at the subscription price of RMB94.20 per share, resulting in the issue of 782,158 shares for a total cash consideration, before expenses, of RMB73,682,000.

14. EVENTS AFTER THE REPORTING PERIOD

Repurchase of A shares

From January to February 2024, the Company repurchased a total of 257,342 A shares at a total consideration of approximately RMB22,940,000 (including transaction fee).

Except for the transactions detailed elsewhere in these financial statements and the events set out in this note above, there was no material subsequent event undertaken by the Group after 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Overview

In 2023, China's economy saw a steady pickup, and medical demand and supply got back on track over time. Productions and the operation of the Company and its subsidiaries were conducted as scheduled. During the Reporting Period, the Group worked to grow its marketing and promotion channels and double its product marketing efforts, which significantly increased the sales volume and revenue of each product line as compared with the previous year.

During the Reporting Period, the Group recorded a revenue of RMB2,634.91 million, representing an increase of RMB531.47 million, or 25.27%, as compared to the corresponding period in 2022. The breakdown of the Group's revenue from the main business of each product line by therapeutic areas is as follows (by the amount and as a percentage of the total revenue of the Group):

Product line	**2023**		2022		Change
	RMB'000	**%**	RMB'000	%	%
Ophthalmology products	**924,650**	**35.10**	765,969	36.42	20.72
Medical aesthetics and wound care products	**1,052,801**	**39.95**	744,342	35.39	41.44
Orthopedics products	**474,259**	**18.00**	386,477	18.37	22.71
Anti-adhesion and hemostasis products	**145,924**	**5.54**	176,272	8.38	-17.22
Other products	**37,276**	**1.41**	30,378	1.44	22.71
Total	**2,634,910**	**100.00**	2,103,438	100.00	25.27

During the Reporting Period, the overall gross profit margin of the Group was 70.34%, representing an increase as compared to 68.79% for the corresponding period in 2022, mainly driven by the increase in the revenue from high-margin hyaluronic acid products and its share of the Group's revenue.

The Group stayed committed to independent innovation and continued to increase investment in research and development ("**R&D**"). During the Reporting Period, R&D expenses amounted to RMB220.10 million, representing an increase of RMB37.91 million, or approximately 20.81%, as compared to the corresponding period in 2022. R&D expenses remained high at 8.35% of revenue (2022: 8.66%). Currently, the Group is focusing on expanding its innovative product lines in ophthalmology and medical aesthetics. During the Reporting Period, in addition to the Group's innovative molded hydrophobic aspheric intraocular lens ("**IOL**") product which has been approved for registration and marketing in the PRC in June 2023, the hydrophobic molded toric aspheric IOL product has completed the clinical trials and entered the registration and application stage in February 2024, and the clinic trials for hydrophilic aspheric multifocal IOL, hydrophobic molded aspheric trifocal IOL, aqueous humor permeable posterior chamber IOL and other key research and development projects were successfully conducted; the Group's innovative bio-gel product for intraocular filling completed the clinical trials in January 2024 and entered the registration and application stage; the Group's fourth-generation organic cross-linked HA dermal filler has entered the late stage of registration and application.

During the Reporting Period, the Group's net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring profit or loss was approximately RMB416.12 million and RMB383.41 million respectively, representing an increase of 130.58% and 141.52% as compared to the corresponding period in 2022, mainly due to the increase in gross profit as a result of the growth in revenue. In addition, it was also contributed by the following events: (1) in 2022, Aaren Scientific, Inc. ("**Aaren**"), a subsidiary of the Company in the United States, showed signs of impairment due to business reorganization, and the Company conducted impairment tests accordingly and recorded asset impairment losses of approximately RMB46.07 million on the related goodwill, intangible assets, fixed assets and construction in progress; however there was no such impairment loss during the Reporting Period; and (2) productions and the operation of our companies located in Shanghai was suspended from March to May 2022, which resulted in the Group incurring a loss of approximately RMB37.35 million in 2022, while there was no such loss during the Reporting Period. The above factors together resulted in a substantial increase in net profit attributable to shareholders of the Company for the Reporting Period as compared to the previous year.

As at the end of the Reporting Period, the total assets of the Group were RMB7,105.50 million, and the net assets attributable to shareholders of the Company were RMB5,650.06 million, representing an increase of RMB213.11 million and RMB135.45 million respectively, as compared to that as at the end of 2022.

Ophthalmology products

Focusing on the leading technologies in the global ophthalmology field, the Group is committed to expediting the localization of China's ophthalmology industry through independent R&D and investment integration, with the goal of becoming an internationally renowned manufacturer of comprehensive ophthalmology products. During the Reporting Period, the Group's ophthalmology business has covered the fields including cataract treatment, myopia prevention and control, refractive correction, and ocular surface medication, and has owned a number of products under development in the field of fundus disease treatment.

The Group is the largest ophthalmic viscoelastic device ("**OVD**") product manufacturer in the PRC. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd.* ("**Biaodian Medical**"), impacted by the suspension of production and delivery by our companies in Shanghai from March to May 2022, the market share of the Group's OVD products decreased from 50.83% in 2021 to 44.52% in 2022, still ranking first in China for the past 16 consecutive years. Meanwhile, the Group is a major supplier in the domestic IOL market, and Contamac Holdings Limited ("**Contamac**"), a subsidiary of the Company in the UK, is one of the world's largest independent manufacturers of ophthalmology and optometry materials such as materials for IOL and Orthokeratology Lens to customers in more than 70 countries worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was RMB924.65 million, representing an increase of approximately RMB158.68 million, or 20.72%, as compared to the corresponding period in 2022. The breakdown of revenue from ophthalmology products by specific products is as follows:

Item	**2023**		2022		Change
	RMB'000	**%**	RMB'000	%	%
Cataract product line	**494,972**	**53.53**	366,000	47.78	35.24
IOL products	**380,164**	**41.11**	277,149	36.18	37.17
OVD products	**114,808**	**12.42**	88,851	11.60	29.21
Myopia prevention and control, and refractive correction product line	**399,452**	**43.20**	377,006	49.22	5.95
Ophthalmology and optometry materials	**208,067**	**22.50**	172,924	22.58	20.32
Ophthalmology and optometry end products	**191,385**	**20.70**	204,082	26.64	-6.22
Other ophthalmology products	**30,226**	**3.27**	22,963	3.00	31.63
Total	**924,650**	**100.00**	765,969	100.00	20.72

Note: During the Reporting Period, the Group adjusted the therapeutic field of some ophthalmic products from "ophthalmology and optometry materials" to "ophthalmology and optometry end products". Therefore, the revenues of "ophthalmology and optometry materials" and "ophthalmology and optometry end products" and their percentages in 2022 listed herein are different from the corresponding data listed in the Company's 2022 Annual Report.

IOL and OVD products are mainly used for cataract surgery. During the Reporting Period, the revenue of the Group from the cataract product line amounted to RMB494.97 million, representing an increase of approximately RMB128.97 million, or approximately 35.24% as compared to the corresponding period in 2022. Specifically, the revenue from IOL products was RMB380.16 million, representing an increase of RMB103.02 million, or approximately 37.17% as compared to the corresponding period in 2022, mainly because of the steady recovery of cataract surgeries nationwide during the Reporting Period. Meanwhile, the Group's IOL product series still maintained a stable pricing system after the past two rounds of provincial centralized volume-based purchasing and was fully selected in the national centralized volume-based purchasing in November 2023. The Group consolidated and further increased the market share of IOL products by utilizing its competitive edge in multi-brand full product line, channel and cost. During the Reporting Period, the sales volume of IOL products independently manufactured by Henan Universe, a subsidiary of the Company, as well as Lenstec IOL products distributed by NIMO as agent increased significantly as compared with the previous year, among which, the sales volume of the high-end regionally-refractive bifocal IOL product SBL-3 increased by 69.37% as compared with that of the previous year, which greatly drove the growth of the revenue of the Group's IOL product line. During the Reporting Period, the OVD products achieved revenue of RMB114.81 million, representing an increase of approximately RMB25.96 million, or approximately 29.21%, as compared to the corresponding period in 2022, creating a record high in revenue for such product line.

During the Reporting Period, the revenue of the Group from the myopia prevention and control and refractive correction product line was RMB399.45 million, representing an increase of RMB22.45 million or approximately 5.95% as compared to the corresponding period in 2022. Specifically, the revenue from the ophthalmology and optometry materials business (operated by Contamac) in the upstream part of the supply chain was RMB208.07 million during the Reporting Period, representing an increase of RMB35.14 million, or approximately 20.32% as compared to the corresponding period in 2022, mainly due to the resumption of global production and operation activities and the continuous expansion of products including gas permeable materials in international markets including the United States. In addition, the Group's hydrophobic molded embryo product, which is independently developed and produced by its subsidiary, Henan Simedice Biotechnologies Co. Ltd.* ("**Henan Simedice**"), and led by Contamac for sale to customers manufacturing IOL around the world, contains high-quality hydrophobic materials and optically superior regions, which can help customers to significantly shorten the pre-launch research and development and registration and application cycle as well as improve the production efficiency. During the Reporting Period, Contamac gradually rolled out the global marketing of this product, with sales volume increasing over 180%. Optometric end products include Orthokeratology Lens and their eye drop products, functional frames, and phakic refractive lens and other products used in the process of fitting and wearing them. During the Reporting Period, optometric end products achieved a revenue of RMB191.39 million, representing a decrease of RMB12.70 million or 6.22% as compared to the corresponding period in 2022, which was mainly due to the fact that the Group ceased to include Hebei Xinshikang Contact Lens Co., Ltd.* ("**Hebei XSK**"), a non-wholly-owned subsidiary of the Group, in the scope of consolidation following the disposal of its 60% equity interest on 1 July 2022, which recorded a consolidated revenue of RMB13.51 million in the previous year.

Other ophthalmology products mainly include injectors, scalpels, suture needles and other products used in various ophthalmic operations. During the Reporting Period, the Group's other ophthalmology products recorded revenue of RMB30.23 million.

Cataract is the biggest cause of blindness in China. The only effective treatment for cataract is IOL implantation through surgery. In terms of industrial chain construction, the Group currently has initially completed the layout of the entire industrial chain of IOL products. We have opened up the upstream raw material production link of the IOL industrial chain through our subsidiary Contamac; mastered the R&D and production process of hydrophilia and hydrophobic IOL products through our subsidiaries Aaren, Henan Universe, and Henan Simedice; and strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of NIMO. In terms of the layout of product lines, leveraging on its domestic and foreign brands, the Group has covered a full range of products from ordinary spherical monofocal IOL to multifocal IOL. In addition, while leveraging on the support of the National Key R&D Programs under the "13th Five-Year Plan", the Group creates synergy among the ophthalmology R&D innovation platforms of the Group in the PRC, the United States and the United Kingdom. The Group has promoted the R&D activities for high-end toric, multifocal and extension-depth-of-field ("**EDOF**") IOL products and has adopted the one-time injection molding process that is different from the traditional turning and milling process, thus achieving a comprehensive layout of high-end IOL materials, complex optical features, and innovative processing technology. Among them:

(1) the innovative molded hydrophobic aspheric IOL product has been approved for registration and marketing in June 2023 in China;

(2) the hydrophobic molded toric aspheric IOL product has completed the clinical trials, which started in July 2021, and entered the registration and application stage in February 2024;

(3) the hydrophilic aspheric multifocal IOL product has started the clinical trials in November 2022; and

(4) innovative hydrophobic molded aspheric trifocal IOL has started its clinical trials in China in July 2023.

China is one of the countries with the largest number of blind and visually impaired patients in the world, with cataracts accounting for 32.5% and refractive errors accounting for 44.2% of visual impairment factors, while the prevalence of ophthalmic diseases in the highly myopic population is much higher than that in the normal-vision population. In 2019, the number of myopia patients worldwide was approximately 1.4 billion, among which, the number of myopia patients in China exceeded 600 million, and as a result the capacity of China's myopia prevention and control and refractive correction market is considerable while the penetration rate is low.

In the field of myopia prevention, control and management, the Group used its self-developed optical design system based on Contamac's world-leading gas permeable material to develop the "Optoshare" (童享) series of new Orthokeratology Lens products, which was approved for registration and marketing in China in December 2022. Meanwhile, the Company, respectively through Shanghai Hengtai Vision Technology Co., Ltd.* and Nanpeng Optics, which are subsidiaries of the Company, has the right to exclusively distribute "Maierkang myOK", a high-end Orthokeratology Lens product, "Hiline", an Orthokeratology Lens product, "Bestivue", a peripheral defocus lens, and rigid gas permeable contact lens of Hengtai Optics Co., Ltd.* ("**Hengtai Optics**") in China. With more than 40 years of professional experience in the field of corneal contact lenses, Hengtai Optics has deep technical precipitation and a complete layout of intellectual property rights in mainland China and the global market. The "myOK" Orthokeratology Lense product is made of oxygen permeability material with 141 DK and has 7 Chinese patents. "Hiline" Orthokeratology Lens product has been sold in the Chinese market for more than 10 years, with a high reputation in the industry and brand reputation. The Group entered into in-depth cooperation with Hengtai Optics and obtained the exclusive distribution rights of all products registered by Hengtai Optics in China, providing a wider choice of optometric products for different consumer segments and expanding the market share and influence of the Group's Orthokeratology Lens products.

In addition, the Group's self-developed eye drops product "Eyesucom" is made of exclusively patented ingredients including medical chitosan and sodium hyaluronate, and is packaged in an aseptic packaging method without preservatives. The product has the functions of natural antibacterial, moisturizing and lubricating, promoting the repair of corneal epithelial damage and reducing staining, etc. It can comprehensively protect the eye surface health of the wearers of Orthokeratology Lens. Moxifloxacin hydrochloride eye drops used in the treatment of bacterial conjunctivitis belong to the fourth-generation fluoroquinolones and is one of the mainstream drugs used in the treatment of bacterial conjunctivitis.

In the field of refractive correction, the Group's subsidiary Hangzhou Aijinglun is mainly engaged in the R&D, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed "Yijing" Posterior Chamber-Posterior Chamber-Phakic Refractive Lens ("**PRL**") product, which has a refractive correction range of -10.00D~-30.00D and has been approved by the National Medical Products Administration of the PRC ("**NMPA**"). Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only two such products approved for sale in the Chinese market, and "Yijing" PRL product is the only domestic product and the only choice for patients with severe myopia above 1,800 degrees, and therefore the product is highly scarce. In addition, the Group began the process of upgrading its PRL products after the acquisition of Hangzhou Aijinglun, with the second generation of the aqueous humor permeable product conducting the clinical trials in China, which will enable aqueous humor circulation and provide a wider range of vision correction.

Through the above product layout, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups.

Medical Aesthetics and Wound Care Products

In the field of medical aesthetics and wound care, the Group has formed a business matrix covering four categories, namely hyaluronic acid ("**HA**") dermal filler, HA for skin and mucosal superficial tissue supplement, genetic-engineering preparations for epidermal repair, radio frequency devices and laser equipment. Through the multi-level business arrangements, the Group was able to meet the comprehensive demand of end customers for medical aesthetics in relation to epidermis, dermis and subcutaneous tissue.

The Group's human epidermal growth factor ("**hEGF**") for external use "Healin", developed and produced by genetic engineering technology, is the only epidermal growth factor product in China that has exactly the same quantity, sequence and spatial structure of amino acids as human natural epidermal growth factor and the first registered hEGF product for external use in the world. According to the research reports of Biaodian Medical, the market share of "Healin" products in 2022 continued to rise to 27.01% from 25.95% in 2021, continuing narrowing the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as monophase cross-linking, low-temperature secondary cross-linking, linear non-particle cross-linking, and organic cross-linking. The Group's first-generation HA dermal filler "Matrifill" is the first mono-phase sodium hyaluronate gel for injection approved by the NMPA in the PRC. It is mainly positioned as a popular entry-level HA. The Group's second-generation HA dermal filler "Janlane" is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. The third-generation HA dermal filler "Hyalumatrix" has the linear non-particle feature and is positioned for high-end consumers by providing the "precise embellishment" function. The Group's HA Dermal Filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA dermal filler products for injection.

In February 2023, the Group's second-generation HA dermal filler "Janlane" completed the registration change, and in addition to the original indication of "injection in the middle to deep layers of the facial dermis to correct moderate and severe nasolabial fold wrinkles", a new indication of "subcutaneous (or submucosal) injection for lip vermilion and vermilion border to fill the lips to increase lip tissue volume" was added to further expand its clinical application scenarios.

In addition, the Group's fourth-generation organic cross-linked HA dermal filler has completed clinical trials and has entered the late stage of registration and review. This product uses natural products as cross-linking agents, and the degradation products are essential amino acids that cannot be synthesized by the human body. Compared with traditional chemical cross-linking agents, it has better long-term safety.

During the Reporting Period, the revenue of the Group from medical aesthetics and wound care products was RMB1,052.80 million, representing an increase of approximately RMB308.46 million, or approximately 41.44%, as compared to the corresponding period in 2022. The breakdown of the revenue by specific products is as follows:

Item	**2023**		2022		Change
	RMB'000	**%**	RMB'000	%	%
HA Dermal Filler	**599,412**	**56.94**	306,164	41.13	95.78
hEGF	**170,371**	**16.18**	149,816	20.13	13.72
Radio frequency devices and laser equipment	**283,018**	**26.88**	288,362	38.74	-1.85
Total	**1,052,801**	**100.00**	744,342	100.00	41.44

China has become the world's second-largest medical aesthetics market. As China's per capita disposable income continues to rise, consumers of different ages and genders are awakening to the pursuit of beauty, health and self-confidence, the demand for medical aesthetics is strong and diversified, and the supply is becoming increasingly abundant due to the iterative innovation of products and technologies as well as expansion of the indications of the existing products. All these factors are driving the robust development of the medical aesthetics industry. In recent years, regulators have launched compliance measures for the medical aesthetic market, which have also continued to strengthen the healthy development of the industry.

Data shows that China's medical aesthetics market size grew from RMB99.3 billion to RMB189.2 billion from 2017 to 2021, at a CAGR of 17.5%. According to "China Medical Aesthetic Industry Outlook 2023" jointly published by Allergan Aesthetics China and Deloitte Consulting, China's medical aesthetics market size is expected to realize a CAGR of 15%-20% in the next five years. Compared with other countries with a well-developed medical aesthetic industry, the number of medical aesthetic treatments per 1,000 people in China is only 1/3 of that in Brazil and the USA, and only 1/4 of that in South Korea. The lower penetration rate of China's medical aesthetic market will continue to be unleashed and enhanced in the coming years. Among the many medical aesthetic projects, non-surgical projects have a high degree of consumer acceptance due to the characteristics of small trauma, quick results, short recovery period, high cost-effectiveness, etc., and have occupied 52% of China's medical aesthetic market share (calculated by consumption amount), of which the proportion of injectable and energy-source projects accounted for 44% and 47%, respectively, and the CAGR in the next five years is expected to reach 20-30%.

Leveraging on its competitive R&D efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of products, the Group's products, based on their characteristics and efficacy, have established the differentiated positioning and supplementary development, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multidimensional services for medical institutions, practitioners and consumers, and build brand attributes and dominate the lifestyle of consumer groups so as to improve the adhesiveness among the brands, medical institutions and consumers. During the Reporting Period, the Group's HA dermal filler products recorded sales revenue of RMB599.41 million, representing an increase of approximately RMB293.25 million, or 95.78%, as compared to the corresponding period in 2022. The third-generation HA dermal filler "Hyalumatrix" produced by the Group won the market's recognition for its high-end HA dermal filler due to its non-particle and high cohesion features, making it less susceptible to deformation and displacement after injection, and giving it a more natural and longer-lasting effect. The product has entered an upward path of rapid volume release through the Group's rhythmic and precise launches to high-quality medical aesthetic institutions. During the reporting period, the sales revenue of HA dermal filler "Hyalumatrix" exceeded RMB230 million, representing an increase of 129.32% as compared to the corresponding period in 2022. Meanwhile, the Group solidified its leading academic position in the industry through the high-end products of "Hyalumatrix", enhanced the adhesion of customers to the Group and drove the overall upward trend of the HA dermal filler product portfolio, of which the revenues of HA dermal filler products "Matrifill" and "Janlane" also increased by 94.14% and 57.70%, respectively, over the previous year.

During the Reporting Period, the revenue of the Group from hEGF products was RMB170.37 million, representing an increase of approximately RMB20.56 million, or 13.72%, as compared to the corresponding period in 2022. The increase in the revenue of hEGF products was due to the fact that the Group strengthened the academic promotion of this product, practitioners' awareness of product efficacy has been continuously strengthened, and the application of the product has been extended from traditional departments such as burns and dermatology to pediatrics, oncology, stomatology, general surgery, obstetrics and gynecology, endocrinology, gastroenterology and other departments.

During the Reporting Period, the revenue of the Group from the radio frequency and laser equipment product line was RMB283.02 million, representing a decrease of approximately RMB5.34 million, or 1.85%, as compared to the corresponding period in 2022, which was mainly generated by Juva Medical, a subsidiary of the Company. In March 2022, the NMPA issued the Announcement on Adjusting Parts of the "Medical Device Classification Catalog" (No. 30, 2022), which upgraded the regulatory category of radio frequency therapeutic device products from Class II to Class III medical devices, and since 1 April 2024, radio frequency therapeutic device and radio frequency skin therapeutic device products shall not be manufactured, imported or sold without obtaining the registration certificate for the medical device in accordance with the law. In November 2023, the National Institutes for Food and Drug Control released the Summary of the Third Batch of Medical Device Product Classification Identification in 2023, in which intermediate frequency/laser therapeutic instruments were listed as products recommended to be managed in accordance with the Class III of medical devices. The aforesaid policy change has had a certain impact on the sales of household and cosmetic grade products of the Group's radio frequency equipment product line in mainland China. However, the Group's medical grade radio frequency equipment product "Endymed Pro" is one of the few radio frequency equipment products in China that has obtained the registration certificate for Class III medical devices, which is scarce in the domestic market. During the Reporting Period, "Endymed Pro" high-frequency skin treatment device and related consumables achieved rapid and sustained growth.

The Company entered into an equity transfer agreement with the minority shareholders of Juva Medical on 31 July 2023 to acquire the remaining 36.3636% equity interest in Juva Medical at a total consideration of RMB152,727,100. Upon completion of the industrial and commercial change registration in September 2023, Juva Medical became a wholly-owned subsidiary of the Company. According to the 2022 Consumption Trend Report of Photoelectric Medical Aesthetics Industry released by So-Young Aesthetic Data Research Institute, 47.34% of the investigated users chose photoelectric items among the medical aesthetics items that the consumers love and want to try the most in 2022. The integration of the Group's radio c devices and laser equipment business will be further accelerated through controlling the entire equity interest in Juva Medical.

Orthopedics Products

During the Reporting Period, the revenue of the Group from orthopedics products amounted to RMB474.26 million, representing an increase of RMB87.78 million, or approximately 22.71% as compared to the corresponding period in 2022. The breakdown of the revenue from the orthopedics products by specific products is as follows:

Item	**2023**		2022		Change
	RMB'000	**%**	RMB'000	%	%
Sodium hyaluronate injection	**312,660**	**65.93**	258,435	66.87	20.98
Medical chitosan used for intra-articular viscosupplement	**161,599**	**34.07**	128,042	33.13	26.21
Total	**474,259**	**100.00**	386,477	100.00	22.71

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intra-articular viscoelastic supplements. Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. At present, there are more than 100 million osteoarthritis patients in China. The Group is the only manufacturer having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. During the Reporting Period, in addition to solidifying the production and sales of its own sodium hyaluronate injection products, the Group also actively expanded the outsourced processing services for sodium hyaluronate injection, which not only effectively utilized the existing production capacity, but also further assisted in achieving stable growth for this product line.

Meanwhile, the water-soluble chitosan technology used in the Group's medical chitosan product (for intra-articular viscosupplement) is the exclusive patented technology of the Group, making the product the only intra-articular viscoelastic supplement registered as a Class III medical device in the PRC. With its competitive advantage of technological differentiation, after gradually completing the entry of the medical insurance catalog in some regions, the sales volume of medical chitosan products (for intra-articular viscosupplement) further continued to climb during the Reporting Period, with a 26.21% increase in revenue as compared to the corresponding period in 2022.

The Group's medical chitosan product (for intra-articular viscosupplement) and sodium hyaluronate injection product have formed unique therapeutic effects and synergic advantages. With a good pricing system, the product portfolio continued to expand its market share. According to the research reports of Biaodian Medical, in 2022, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for nine consecutive years, with a market share continuously increasing from 45.49% in 2021 to 46.54% in 2022.

Anti-adhesion and Hemostasis Products

According to the research report of Biaodian Medical, the Group was the largest supplier of anti-adhesion materials in China, with the share of the anti-adhesion materials market reaching 29.90% in 2022. During the Reporting Period, the Group's anti-adhesion and hemostasis products recorded revenue of RMB145.92 million, representing a decrease of RMB30.35 million, or approximately 17.22%, as compared to the corresponding period in 2022, which was mainly influenced by domestic policy factors such as cost and volume control of high-value consumables.

The breakdown of the revenue from the anti-adhesion and hemostasis products by specific products is as follows:

Item	2023		2022		Change
	RMB'000	%	RMB'000	%	%
Medical chitosan used for anti-adhesion	**68,033**	**46.62**	73,203	41.53	-7.06
Medical sodium hyaluronate gel	**56,006**	**38.38**	82,613	46.87	-32.21
Collagen sponge	**21,885**	**15.00**	20,456	11.60	6.99
Total	**145,924**	**100.00**	176,272	100.00	-17.22

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Development Strategy

The Group always aims to continuously improve the health quality of Chinese people and promote the rehabilitation of patients, and takes differentiated development as its corporate strategy. The Group will continue to focus on four fast-growing therapeutic areas, including ophthalmology, medical aesthetics and wound care, orthopedics and surgery. The Group will pay attention to scientific research innovation and achievement transformation, and strengthen professional services; continue to maintain the Company's leading position in technology through cooperation with domestic and foreign well-known R&D institutions, independent R&D and technology introduction; continuously optimize and improve management capabilities and improve operational efficiency; continuously expand and improve product lines and integrate the industrial chain through the combination of endogenous growth and mergers and acquisitions; strengthen the Company's brand building and enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Business Plan

In 2024, the Group will continue to deeply promote the deployment of internal resources of the Group, and further strengthen the integration of merged and acquired enterprises in all aspects of R&D, production, sales and services, enabling merged and acquired enterprises to quickly integrate into the Group's management system. This aims to maximize synergy, improve operational efficiency, develop innovative technologies, and expand market space, while continuing to enhance core competitiveness.

In the field of ophthalmology in 2024, The Group will focus on the changes in the industry policy environment, in particular the implementation of the results of the volume-based procurement of IOL, and make timely adjustments to its supply chain and sales strategies by leveraging on the Group's multi-brand product line advantages, channel advantages and cost advantages, in order to respond to the new marketing pattern in the "post volume-based procurement era". In the field of innovative product R&D, the Group will, by utilizing its superior R&D resources in China, the USA, the UK and France and by continuing the R&D investment in innovative products, keep promoting the upgrade of product portfolios. In 2024, the Group will focus on promoting the registration and application of hydrophobic molded toric aspheric IOL, the clinical trials of important projects such as hydrophilic aspheric multifocal IOL, hydrophobic molded toric aspheric trifocal IOL, the second generation of the aqueous humor permeable PRL products, as well as R&D of high-end IOL projects such as EDOF and multifocal toric IOL. In the field of myopia prevention and control, in 2024, the Group will continue to explore the integrated marketing and brand operation of products such as "Maierkang myOK", "Hiline" and "Optoshare" (童享) and accelerate the market penetration of the Group's Orthokeratology Lens product line, so as to increase the overall market share. In the field of fundus disease treatment, the Group will actively promote the registration and application of innovative bio-gel products for intraocular fillers and commence market warm-up in a timely manner.

In the field of medical aesthetics and wound care, in 2024, the Group will take advantage of the efficacy and price positioning of the "Matrifill", "Janlane" and "Hyalumatrix" series of HA dermal filler products to focus on building the brand image of "Hyalumatrix" high-end HA dermal filler products, strengthen the market promotion of "Janlane" HA dermal filler products for the new indications, assist downstream medical and aesthetic institutions to develop unique injection solutions for the indications, further expand the market penetration, improve the overall market share of the Group's HA dermal filler series products and strengthen the leading position of the Group's domestic HA dermal filler brand for injection through the extensive sales network. Meanwhile, the Group will continue to promote the registration and application of the fourth-generation organic cross-linked HA dermal filler as planned and start the pre-market warm-up efforts before its launch. In addition, the Group will accelerate the integration of the advantageous resources of Juva Medical to capitalize on the high degree of synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing. Under the new industry compliance trend, the Group will continue to adhere to standardized and professional development, take advantage of the scarcity of the "Endymed Pro" high-frequency skin treatment device to accelerate the capture of the domestic market share, and accelerate the entry into overseas radio frequency device/laser equipment markets such as the USA through its overseas subsidiaries, so as to ensure the overall upward development of the relevant product lines business.

In 2024, the Group will continue to use its own funds effectively, explore the fast-growing therapeutic areas such as ophthalmology, medical aesthetics, orthopedics and surgery, actively seek advanced technologies and excellent products and take the opportunity to introduce technologies or invest in cooperation, so as to increase the product reserve and ensure the long-term sustainable development of the Group.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded an aggregate revenue of approximately RMB2,634.91 million (2022: approximately RMB2,103.44 million), representing an increase of approximately RMB531.47 million or approximately 25.27% as compared with 2022. Due to the suspension of productions and the operation of companies of the Group in Shanghai during the period from March to May 2022, the Group's revenue in 2022 was materially and adversely affected. During the Reporting Period, under the macroeconomic environment that the pharmaceutical end market had been gradually returning to normal, companies of the Group carried out normal production and operation, and the operating conditions went up steadily. The sales volume and revenue of each major product line increased significantly as compared with the same period of last year.

During the Reporting Period, the overall gross profit margin of the Group was 70.34%, which increased 1.55 percentage points, as compared with 68.79% in 2022, mainly due to the good sales performance of HA dermal fillers with a higher gross profit margin, and the increase of its share of overall revenue boosted the Group's gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were approximately RMB814.51 million, representing an increase of approximately RMB134.98 million or approximately 19.86% from approximately RMB679.53 million in 2022. During the Reporting Period, as the pharmaceutical terminal market gradually returned to normal, the Group actively expanded its marketing and promotion channels, recruited more marketing personnel, and increased marketing efforts in products, particularly HA dermal fillers, which resulted in an increase in related marketing expenses and labor costs.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group were approximately RMB220.10 million, representing an increase of approximately RMB37.91 million or approximately 20.81% from approximately RMB182.19 million in 2022. The growth of R&D expenses was primarily due to the continuous increase of R&D investments and the expansion of innovative product lines of ophthalmology and medical aesthetics made by the Group, resulting in an increase in labor costs, R&D material consumption fees and clinical trial fees. During the Reporting Period, the Group's R&D expenses accounted for 8.35% of its revenue (2022: 8.66%), which remained at a relatively high level.

Other Expenses

During the Reporting Period, the Group's other expenses amounted to approximately RMB17.72 million, representing a decrease of approximately RMB54.69 million or 75.53% from approximately RMB72.41 million in 2022. The decrease was mainly because of signs of impairment of Aaren (a subsidiary of the Company in the USA) in 2022 due to business re-integration. Accordingly, the Company made provision for asset impairment loss of approximately RMB46.07 million for the goodwill, intangible assets, fixed assets and construction in progress of the Aaren business, whereas no such impairment loss occurred during the Reporting Period. In addition, a loss on change in fair value of approximately RMB7.78 million was recognized in 2022 due to a decrease in the fair value of convertible bonds of Recros Medica, Inc., a U.S. company, and Bioxis Pharmaceuticals ("**Bioxis**"), a French company, which were subscribed by the Group, whereas no such loss on change in fair value occurred during the Reporting Period.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were approximately RMB95.99 million (2022: approximately RMB45.40 million), representing an increase of approximately RMB50.59 million or approximately 111.43% as compared with 2022. This increase was primarily due to the significant increase in the overall profit before tax during the Reporting Period as compared with 2022. During the Reporting Period, the Group's effective tax rate was 18.89%, basically the same as 19.26% in 2022.

Results of the Year

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB416.12 million (2022: RMB180.47 million), representing an increase of approximately RMB235.65 million or approximately 130.58% as compared with 2022. The increase was mainly due to the significant increase in gross profit brought by the revenue increase, particularly the revenue growth in HA dermal fillers with a higher gross profit margin. In addition, in 2022, there were signs of impairment of Aaren due to business re-integration. The Company made provision for asset impairment loss of approximately RMB46.07 million for the goodwill, intangible assets and other long-term assets of Aaren business, whereas no such impairment loss occurred during the Reporting Period. The combination of the above factors resulted in a significant increase in the profit attributable to ordinary equity holders of the Company during the Reporting Period as compared with 2022.

Basic earnings per share during the Reporting Period amounted to RMB2.44 (2022: RMB1.04).

Liquidity and Capital Resources

As at 31 December 2023, the total current assets of the Group were approximately RMB3,750.14 million, representing an increase of approximately RMB218.02 million or approximately 6.17% as compared with that as at 31 December 2022. In particular, cash and bank balances at the end of the Reporting Period increased by approximately RMB198.28 million as compared with that as at 31 December 2022, which was mainly due to the significant increase in the net cash inflow from operating activities of the Group during the Reporting Period.

As at 31 December 2023, the total current liabilities of the Group were approximately RMB715.95 million, representing an increase of approximately RMB204.67 million or approximately 40.03% as compared with that as at 31 December 2022. The increase was mainly because the Group raised more bank borrowings according to its operational needs, among which, the current portion of bank and other borrowings increased by approximately RMB182.25 million as compared with the end of 2022.

As at 31 December 2023, the Group's current assets to liabilities ratio was approximately 5.24 (31 December 2022: 6.91), representing a slight decrease as compared with that as at the year end of 2022, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 2,158 employees as at 31 December 2023. The breakdown of the total number of employees by function was as follows:

Production	849
R&D	366
Sales and Marketing	641
Finance	84
Administration	218
Total	2,158

During the Reporting Period, the remuneration policy for the Group's employees had no material change, and the employees' remuneration is based on their working experience, daily performance, the operation situation of the Company and external market competition. During the Reporting Period, the total remuneration of the Group's employees amounted to approximately RMB630.08 million.

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the core management personnel, core technical or operational personnel and fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members and bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized, the Board approved the proposed adoption of the 2021 restricted A share incentive scheme of the Company (the "**Incentive Scheme**") on 29 December 2021. The Incentive Scheme was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022. Pursuant to the Incentive Scheme, the Board has resolved to grant a total of 1,800,000 Restricted Shares in the First Grant and Reserved Grant on 11 March 2022 and 16 November 2022, respectively.

The Group continues to improve the training management system and mechanism, and provides various targeted training programs to its employees. During the Reporting Period, there was no material change in the Group's training programs.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the secured and efficient use of the Group's capital. Surplus cash of the Group is generally placed in short-term deposits denominated in RMB, US Dollars and Hong Kong Dollars. 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 31 December 2023, the Group had bank deposits of approximately RMB0.68 million as guarantee deposits for the issuance of performance guarantee. As at 31 December 2022, the Group's bank deposits of approximately RMB0.61 million and RMB1.84 million were pledged as quality guarantee deposits and performance guarantee deposits, respectively.

In addition, as at 31 December 2022, NIMO (a subsidiary of the Company) pledged all of its trade receivables to secure banking facilities of up to RMB65.00 million. During the Reporting Period, such credit facilities expired and the relevant bank borrowings were fully repaid.

Gearing Ratio

As at 31 December 2023, the total liabilities of the Group amounted to approximately RMB1,088.20 million and the gearing ratio (the percentage of total liabilities to total assets) was 15.31%, representing an increase of 0.95 percentage points from 14.36% as at 31 December 2022, which was mainly due to the increase in bank borrowings of the Group during the Reporting Period. In addition, the Company granted a share redemption option to the minority shareholders of Juva Medical upon the acquisition of 60% equity interest in Juva Medical. The fair value of the non-current liabilities related to such share redemption option as at 31 December 2022 was approximately RMB220.56 million. As the Company completed the acquisition of the equity interest held by the minority shareholders of Juva Medical during the Reporting Period, the impact of the increase in bank borrowings was partially offset by the derecognition of the non-current liabilities related to such share redemption option.

Cash and Cash Equivalents

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB569.32 million, representing an increase of approximately RMB10.12 million from that of approximately RMB559.20 million as at 31 December 2022. During the Reporting Period, the Group's net cash flows generated from operating activities was approximately RMB634.45 million, but was almost entirely used in various investment and financing activities. In addition, due to the continuous appreciation of the exchange rates of USD, GBP and other foreign currencies against RMB during the Reporting Period, the effect of exchange rate changes on cash increased the balance of cash and cash equivalents by approximately RMB10.05 million.

Bank Borrowings

As at 31 December 2023, the Company and its subsidiaries Shanghai Qisheng, Shanghai Haohai Medical Technology Development Co., Ltd.* and Bioxis had interest-bearing bank borrowings of approximately RMB174.64 million, RMB89.00 million, RMB83.50 million and EUR0.40 million (equivalent to approximately RMB3.13 million), respectively. As at 31 December 2022, the Company and its subsidiaries NIMO and Bioxis had interest-bearing bank borrowings of approximately RMB41.75 million, RMB5.31 million and EUR0.72 million (equivalent to approximately RMB5.35 million), respectively.

Risk of Exchange Rate Fluctuations

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 31 December 2023, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 14 to the financial statements in this results announcement for the details of significant subsequent event of the Group.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group has no any other material investment plans or capital asset plans during the year ended 31 December 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals related to subsidiaries, associates and joint ventures during the year ended 31 December 2023.

Significant Investment

Save as disclosed in this announcement, the Group had no other significant investment during the year ended 31 December 2023.

Purchase, Sales or Redemption of Listed Securities

Details of the H Shares repurchased by the Company during the year ended 31 December 2023 are as follows:

Months of repurchase in 2023	No. of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Aggregate Consideration[1] *(HK$)*
March	114,500	41.50	38.90	4,647,140.00
May	461,400	43.30	39.95	19,289,365.00
August	238,700	39.50	37.00	9,206,555.00
September	1,080,200	48.80	45.85	51,464,139.00
October	677,200	41.25	37.85	26,879,905.00
November	941,400	45.00	40.50	40,462,505.00
December	359,000	42.95	38.80	14,639,625.00
Total	3,872,400			166,589,234.00

Details of the A Shares repurchased by the Company during the year ended 31 December 2023 are as follows:

Months of repurchase in 2023	No. of Shares repurchased	Highest price paid per Share *(RMB)*	Lowest price paid per Share *(RMB)*	Aggregate Consideration[1] *(RMB)*
September	311,958	113.50	110.71	35,016,970.13
October	703,526	111.24	96.19	74,894,136.32
November	63,600	98.50	96.84	6,204,895.28
December	10,402	99.00	98.80	1,029,261.22
Total	1,089,486			117,145,262.95

Note (1): The aggregate consideration excludes transaction fees.

Save as disclosed in this announcement, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Profit Distribution Plan and Annual General Meeting

The Board proposed the following profit distribution plan for the year ended 31 December 2023 (the "**2023 Profit Distribution Plan**"): (1) distribute a final dividend of RMB1.00 (inclusive of tax) per share to the Shareholders for the year ended 31 December 2023. Based on the total number of shares issued by the Company as at the date of this announcement of 171,477,258 Shares and deducting the total number of 4,643,328 Shares (comprised of 1,346,828 A Shares and 3,296,500 H Shares) which have been repurchased but not cancelled by the Company, the proposed final dividend amounts to RMB166,833,930.00 (tax included) in total; and (2) 4 new shares for every 10 existing shares of the Company to be issued out of reserves to the Shareholders.

The 2023 Profit Distribution Plan is subject to the approval of the Shareholders at the 2023 annual general meeting of the Company (the "**AGM**"), and the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the new H Shares in relation to the capitalization issue. The specific arrangements regarding the 2023 Profit Distribution Plan, and the time and arrangement of the closure of register of members of H Shares will be announced separately by the Company in a circular of the AGM. The above profit distribution is expected to be paid to the eligible Shareholders no later than two months after the AGM (expected to be on or before 30 August 2024).

In the event that the total share capital of the Company changes before the registration date of shareholding, the Company will maintain the dividend distribution per share and the proportion of capitalization issue per share unchanged, and the aggregate amount of the final dividend and the total number of shares to be issued will be adjusted correspondingly.

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 C1 to the Hong Kong Listing Rules during the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions as set out in Corporate Governance Code.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Hong Kong Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Hong Kong 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 of the Company, 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 Group's audited consolidated financial statements and annual results for the year ended 31 December 2023 had been reviewed by the audit committee of the Board.

Publication of the Annual Results and Annual Report

This results announcement is published on the HKExnews website of the HKSE (www.hkexnews.hk) and the Company's website (www.3healthcare.com).

The Company's 2023 annual report containing all information required under the Hong Kong Listing Rules will be dispatched to the shareholders of the Company and will be published on the HKExnews website of the HKSE (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, 8 March 2024

As at the date of this announcement, the executive Directors are Dr. Hou Yongtai, Mr.Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive Directors are Ms. You Jie and Mr. Huang Ming; and the independent non-executive Directors are Mr. Shen Hongbo, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* *For identification purpose only*