Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock Code: 6826)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

HIGHLIGHTS OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

- During the Reporting Period, the Group recorded a revenue of approximately RMB845.87 million, representing an increase of approximately RMB352.26 million, or 71.37%, as compared to the corresponding period in 2020.
- During the Reporting Period, the Group continued to increase investment in R&D, focusing on expanding the innovative products lines of ophthalmology and medical aesthetics. The R&D expenses amounted to approximately RMB73.49 million, representing an increase of approximately RMB16.91 million, or 29.90%, as compared to the corresponding period in 2020.
- During the Reporting Period, the profit attributable to owners of the parent was approximately RMB231.02 million, representing an increase of approximately 739.26% as compared to the corresponding period in 2020.
- During the Reporting Period, the basic earnings per share of the Company were RMB1.31 (the corresponding period in 2020: RMB0.15).
- The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2021.

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd.* (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its affiliates (the "**Group**", "**we**", "**our**" or "**us**") for the six-month period ended 30 June 2021 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		RMB'000	*RMB'000*
	Notes	***(Unaudited)***	*(Unaudited)*
REVENUE	4	**845,874**	493,609
Cost of sales		**(216,790)**	(113,053)
Gross profit		**629,084**	380,556
Other income and gains, net	4	**90,593**	96,840
Selling and distribution expenses		**(253,098)**	(300,970)
Administrative expenses		**(109,899)**	(99,253)
Impairment losses on financial assets		**(2,932)**	(2,969)
Research and development costs		**(73,486)**	(56,573)
Other expenses		**(4,511)**	(5,166)
Finance costs		**(1,602)**	(1,465)
Share of profits and losses of:			
An associate		**119**	26
PROFIT BEFORE TAX	5	**274,268**	11,026
Income tax credit/(expense)	6	**(37,332)**	1,088
PROFIT FOR THE PERIOD		**236,936**	12,114
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,125)**	(12,818)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(4,125)**	(12,818)

	Note	Six months ended 30 June **2021** ***RMB'000*** ***(Unaudited)***	 2020 *RMB'000* *(Unaudited)*
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		**115,000**	(31,428)
Income tax effect		**(1,152)**	(388)
		113,848	(31,816)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**113,848**	(31,816)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**109,723**	(44,634)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**346,659**	(32,520)
Profit attributable to:			
Owners of the parent		**231,023**	27,527
Non-controlling interests		**5,913**	(15,413)
		236,936	12,114
Total comprehensive income attributable to:			
Owners of the parent		**340,149**	(11,915)
Non-controlling interests		**6,510**	(20,605)
		346,659	(32,520)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the period	8	**1.31**	0.15

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

	Notes	**30 June 2021** ***RMB'000*** ***(Unaudited)***	31 December 2020 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,090,122**	978,017
Right-of-use assets		**201,050**	202,378
Other intangible assets		**423,353**	404,332
Goodwill		**385,544**	385,490
Investment in a joint venture		**45,864**	45,864
Investment in an associate		**3,494**	4,355
Equity investments designated at fair value through other comprehensive income		**444,155**	405,279
Debt investment		**61,994**	–
Financial assets at fair value through profit or loss		**6,460**	–
Deferred tax assets		**23,197**	26,186
Other non-current assets		**11,185**	36,845
Total non-current assets		**2,696,418**	2,488,746
CURRENT ASSETS			
Inventories		**264,052**	255,127
Trade and bills receivables	9	**397,491**	340,747
Prepayments, other receivables and other assets		**100,532**	55,374
Financial assets at fair value through profit or loss		**–**	15,145
Pledged deposits		**614**	50,963
Cash and bank balances		**3,137,284**	3,092,603
Total current assets		**3,899,973**	3,809,959
CURRENT LIABILITIES			
Trade payables	10	**30,200**	28,032
Other payables and accruals		**407,568**	296,942
Interest-bearing bank and other borrowings	11	**48,543**	87,708
Tax payable		**25,798**	21,079
Total current liabilities		**512,109**	433,761

	Notes	30 June 2021 *RMB'000* ***(Unaudited)***	31 December 2020 *RMB'000* *(Audited)*
NET CURRENT ASSETS		**3,387,864**	3,376,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,084,282**	5,864,944
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	**17,846**	20,373
Other payables and accruals		**4,500**	4,500
Deferred tax liabilities		**109,615**	102,282
Deferred income		**8,533**	3,544
Total non-current liabilities		**140,494**	130,699
NET ASSETS		**5,943,788**	5,734,245
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	**176,622**	177,207
Treasury shares	13	**(44,908)**	(28,263)
Reserves		**5,545,733**	5,341,807
		5,677,447	5,490,751
Non-controlling interests		**266,341**	243,494
Total equity		**5,943,788**	5,734,245

1. CORPORATE AND GROUP INFORMATION

Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") was established as a limited liability company on 24 January 2007 in the People's Republic of China, (the "**PRC**"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 30 April 2015. 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. Total number of issued shares of the Company after the A Share Offering was 177,845,300 shares (comprising 40,045,300 H Shares and 137,800,000 A Shares). In 2020, the Company repurchased 1,223,200 H Shares, among which, 638,700 H Shares were cancelled on 3 July 2020, and 584,500 H Shares were cancelled on 19 March 2021. During the six months ended 30 June 2021 (the "**Reporting Period**"), the Company repurchased 800,000 H Shares as treasury shares which were cancelled on 14 July 2021.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") No. 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. They have been prepared under historical cost convention, except for certain equity instruments and certain other payables and accruals, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

In the Reporting Period, the Group has applied, for the first time, the following revised standards and amendments:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the Reporting Period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The application of the amendment to IFRS 16 did not have any material impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, the manufacture and sale of biologicals, medical hyaluronate 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 decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mainland China	**753,928**	422,163
United States of America ("**USA**")	**38,914**	31,245
United Kingdom ("**UK**")	**4,760**	7,974
Other regions and countries	**48,272**	32,227
	845,874	493,609

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

(b) Non-current assets

	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Mainland China	**1,788,203**	1,628,285
USA	**145,654**	87,292
UK	**277,120**	328,621
Other regions and countries	**18,089**	13,083
	2,229,066	2,057,281

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 Reporting Period (six months ended 30 June 2020: none).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers	**845,874**	493,609

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Type of goods sold		
Ophthalmology products	**354,409**	209,130
Orthopedics products	**204,708**	128,920
Medical aesthetics and wound care products	**179,074**	75,814
Anti-adhesion and hemostasis products	**94,631**	68,413
Other products	**13,052**	11,332
Total	**845,874**	493,609
Timing of revenue recognition		
Goods transferred at a point in time	**845,874**	493,609

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous reporting periods:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**16,162**	18,069

(b) Performance obligation

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

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.

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Bank interest income	**50,290**	54,102
Dividend income from equity investments at fair value through other comprehensive income	**26,263**	13,659
Government grants *(note)*	**11,334**	20,357
Interest income from debt investment	**626**	–
Foreign exchange gains, net	**–**	7,746
Others	**2,080**	976
	90,593	96,840

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 after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**216,790**	113,053
Depreciation of property, plant and equipment	**38,438**	36,140
Depreciation of right-of-use assets	**6,915**	7,726
Amortisation of other intangible assets	**18,953**	18,509
Research and development costs	**73,486**	56,573
Lease payments not included in the measurement of lease liabilities	**480**	3,208
Employee benefit expenses:		
– Wages and salaries	**150,217**	142,047
– Pension scheme contributions	**10,760**	7,760
Foreign exchange differences, net	**3,217**	(7,746)
Provision of impairment losses on financial assets	**2,932**	2,969
Write-down of inventories to net realisable value	**–**	2,917
Bank interest income *(note 4)*	**(50,290)**	(54,102)
Dividend income from equity investments at fair value through other comprehensive income *(note 4)*	**(26,263)**	(13,659)
Interest income from debt investment *(note 4)*	**(626)**	–
Net loss on disposal of items of property, plant and equipment	**24**	609

6. INCOME TAX

The Company and its subsidiaries, except for Haohai Healthcare Holdings Co., Limited ("**Haohai Holdings**"), Aaren Laboratories, LLC, Aaren Scientific Inc., Contamac Holdings Limited ("**Contamac Holdings**") and its subsidiaries ("**Contamac Group**"), Haohai Healthcare Holdings (BVI) Co., Ltd. and China Ocean Group Limited ("**China Ocean**"), are registered in the PRC and only have operations in the Mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The Company, Shanghai Qisheng Biologics Company Limited ("**Shanghai Qisheng**"), Shanghai Jianhua Fine Biological Products Company Limited ("**Shanghai Jianhua**"), Henan Universe Intraocular Lens Research and Manufacture Company Ltd. ("**Henan Universe**") and Qingdao Huayuan Fine Biological Product Co., Ltd. ("**Qingdao Huayuan**") were accredited as high and new-tech enterprises (the "**HNTE Status**") respectively, effective for the three years from 2020 to 2022 by the relevant authorities. The preferential income tax rate of 15% was applied during the Reporting Period for the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan.

Shenzhen New Industries Material of Ophthalmology Co., Ltd. ("**NIMO**") was also accredited with HNTE Status, effective for the three years from 2018 to 2020 by the relevant authorities. During the Reporting Period, NIMO are in the process of HNTE Status renewal for the next three years from 2021 to 2023. Based on the experiences and current feedback from the authorities, the Directors believe that the renewal would be successful. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for NIMO.

Hangzhou Aijinglun Technology Co., Ltd. ("**Hangzhou Aijinglun**") was accredited with HNTE Status effective for the three years from 2019 to 2021 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for Hangzhou Aijinglun.

The applicable tax rate for the other subsidiaries registered in the Mainland China was 25% during the Reporting Period.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective for the year of assessment 2020/2021. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The profits tax for subsidiaries in the USA has been provided at the rate of 21% (six months ended 30 June 2020: 21%) on the estimated assessable profits arising in the USA during the Reporting Period.

The profits tax for subsidiaries in the UK has been provided at the rate of 19% (six months ended 30 June 2020: 19%) on the estimated assessable profits arising in the UK during the Reporting Period.

The profits tax for subsidiaries in France has been provided at the rate of 28% (six months ended 30 June 2020: 28%) on the estimated assessable profits arising in France during the Reporting Period.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current		
Charge for the period	**37,967**	15,670
Underprovision in prior periods	**1,007**	103
Deferred	**(1,642)**	(16,861)
Total tax charge/(credit) for the period	**37,332**	(1,088)

7. DIVIDENDS

The proposed final dividend of RMB0.50 (inclusive of tax) per ordinary share of the Company for the year ended 31 December 2020 was declared payable by the shareholders of the Company at the annual general meeting of the Company on 11 June 2021.

The Directors do not recommend the distribution of an interim dividend in respect of the six months period ended 30 June 2021 (six months ended 30 June 2020: nil).

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 Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 177,012,817 (for the six months period ended 30 June 2020: 177,733,217) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the six months periods ended 30 June 2021 and 2020.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**231,023**	27,527
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**177,012,817**	177,733,217

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Bills receivable	**3,428**	7,219
Trade receivables	**426,564**	366,937
Impairment	**(32,501)**	(33,409)
	397,491	340,747

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 and bills 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:

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within one year	**382,598**	328,156
1 to 2 years	**13,007**	10,979
2 to 3 years	**1,886**	1,612
	397,491	340,747

10. TRADE PAYABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**30,200**	28,032

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**29,568**	27,465
3 months to 1 year	**411**	279
Over 1 year	**221**	288
	30,200	28,032

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2021** ***RMB'000*** ***(Unaudited)***	31 December 2020 *RMB'000* *(Audited)*
Current			
Bank loans:			
– Secured	(1)	**15,006**	78,691
– Unsecured		**22,200**	–
Current portion of long term other loans			
– Unsecured	(2)	**46**	65
Current portion of long term bank loans			
– Secured		**–**	86
Lease liabilities		**11,291**	8,866
		48,543	87,708
Non-Current			
Bank loans:			
– Secured		**–**	62
Other loans:			
– Unsecured	(2)	**460**	520
Lease liabilities		**17,386**	19,791
		17,846	20,373
		66,389	108,081
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand		**37,206**	78,777
In the second year		**–**	62
		37,206	78,839
Other borrowings repayable:			
Within one year or on demand		**11,338**	8,931
In the second year		**5,907**	6,719
In the third to fifth years, inclusive		**5,329**	6,358
Beyond five years		**6,609**	7,234
		29,183	29,242
		66,389	108,081

The bank loans bear interest at rates ranging from 0.89% to 2.80% (31 December 2020: 0.89% to 5.19%) per annum.

Notes:

(1) As at 30 June 2021, the apartments of the non-controlling shareholders of NIMO were pledged for bank loans of RMB15,006,000 (unaudited) (31 December 2020: RMB28,691,000 (audited)), which were also guaranteed by these shareholders.

(2) As at 30 June 2021, the unsecured loan represents an interest-free government loan obtained by ODC Industries ("**ODC**").

12. SHARE CAPITAL

	30 June 2021 ***RMB'000*** ***(Unaudited)***	31 December 2020 *RMB'000* *(Audited)*
Issued and fully paid:		
176,622,100 (31 December 2020: 177,206,600) ordinary shares of RMB1.00 each	**176,622**	177,207

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

	Number of shares in issue	**Share capital** ***RMB'000***
At 1 January 2021	**177,206,600**	**177,207**
Cancellation of repurchased H Shares	**(584,500)**	**(585)**
At 30 June 2021	**176,622,100**	**176,622**

During the Reporting Period, 584,500 H Shares of the Company were cancelled on 19 March 2021.

13. TREASURY SHARES

During the Reporting Period, the Company repurchased 800,000 H shares, which accounted for approximately 0.4529% of the Company's total share capital, at a total consideration of approximately HK$53,701,805 (equivalent to RMB44,908,000). These H shares were cancelled on 14 July 2021.

14. BUSINESS COMBINATION

(a) On 21 April 2021, the Group acquired a 55% interest in Shanghai Hengtai Vision Technology Co., Ltd. ("**Hengtai Vision**") from third parties. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB25,000,000 paid on or near the acquisition date, among which, RMB15,000,000 was paid to the original shareholders of Hengtai Vision, and RMB10,000,000 was paid to Hengtai Vision as capital contribution.

The fair values of the identifiable assets and liabilities of Hengtai Vision as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000 (Unaudited)*
Property, plant and equipment	1,329
Other intangible assets	37,631
Cash and bank balances	14,561
Trade receivables	404
Prepayments, other receivables and other assets	890
Inventories	1,207
Trade payables	(908)
Other payable and accruals	(307)
Deferred tax liabilities	(9,352)
Total identifiable net assets at fair value	45,455
Non-controlling interests	(20,455)
Total purchase consideration	25,000
Satisfied by	
Cash	25,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB404,000 and RMB786,000 respectively. No impairment allowances were provided for the trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of Hengtai Vision is as follows:

	RMB'000
Cash consideration	25,000
Cash and bank balances acquired	(14,561)
Net outflow of cash and cash equivalents included in cash flows from investing activities	10,439

Since the acquisition, Hengtai Vision contributed RMB1,990,000 to the Group's revenue and incurred net loss of RMB1,582,000 to the consolidated profit or loss for Reporting Period.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the Reporting Period would have been RMB847,803,000 and RMB236,102,000, respectively.

(b) On 24 April 2021, the Group acquired a 60% interest in Hebei Xinshikang Contact Lens Co., Ltd. ("**Hebei XSK**") from third parties. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB40,000,000, which was paid to Hebei XSK as capital contribution on or near the acquisition date.

The fair values of the identifiable assets and liabilities of Hebei XSK as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000 (Unaudited)*
Property, plant and equipment	21,433
Right-of-use assets	4,083
Other intangible assets	20
Cash and bank balances	39,575
Trade receivables	436
Prepayments, other receivables and other assets	2,117
Inventories	3,819
Trade payables	(54)
Other payable and accruals	(3,321)
Deferred tax liabilities	(1,441)
Total identifiable net assets at fair value	66,667
Non-controlling interests	(26,667)
Total purchase consideration	40,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB436,000 and RMB313,000 respectively. No impairment allowances were provided for the trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of Hebei XSK is as follows:

	RMB'000
Cash consideration	40,000
Cash and bank balances acquired	(39,575)
Net outflow of cash and cash equivalents included in cash flows from investing activities	425

Since the acquisition, Hebei XSK contributed RMB5,576,000 to the Group's revenue and RMB360,000 to the profit for the year ended 30 June 2021.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the Reporting Period would have been RMB846,829,000 and RMB236,286,000, respectively.

15. EVENTS AFTER THE REPORTING PERIOD

On 14 July 2021, the Company cancelled the repurchased 800,000 H shares as further set out in note 13 to the interim condensed consolidated financial statements, pursuant to which, the number of issued shares of the Company was 175,822,100 shares.

There was no other material subsequent event undertaken by the Group after 30 June 2021.

Business Review and Discussion

With the effective control of the COVID-19 pandemic (the "**Pandemic**") in China, the impact of the Pandemic on the Group's business activities has gradually weakened. In the first half of 2021, all business segments of the Group achieved significant growth, showing a trend of continuous recovery and steady improvement since the second half of 2020.

During the Reporting Period, the Group recorded a revenue of approximately RMB845.87 million, representing an increase of approximately RMB352.26 million, or 71.37%, as compared to the corresponding period in 2020. 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	**January-June 2021**		January-June 2020		
	RMB'000	*%*	*RMB'000*	*%*	Change (%)
	(Unaudited)		*(Unaudited)*		
Ophthalmology products	**354,409**	**41.90**	209,130	42.37	69.47
Medical aesthetics and wound care products	**179,074**	**21.17**	75,814	15.36	136.20
Orthopedics products	**204,708**	**24.20**	128,920	26.12	58.79
Anti-adhesion and hemostasis products	**94,631**	**11.19**	68,413	13.85	38.32
Other products	**13,052**	**1.54**	11,332	2.30	15.18
Total	**845,874**	**100.00**	493,609	100.00	71.37

During the Reporting Period, the overall gross profit margin of the Group was 74.37%, representing a slight decrease as compared to 77.10% for the corresponding period in 2020, mainly due to the lower sales prices of some types of Intraocular Lens ("**IOL**") products in the regions where the volume-based procurements were carried out. In addition, the Group appropriately lowered the sales price of "Matrifill" hyaluronic acids ("**HA**") dermal filler product to highlight its product positioning as "mass HA dermal filler", which also led to the decrease in gross profit margin during the Reporting Period. The Group has a diversified product layout in both the IOL and HA dermal filler product lines. The price reduction of some low-end and mid-end products has had a certain impact on the gross profit margin. However, the Group is striving to increase the sales proportion of mid-to-high-end and high-end products to stabilize the overall gross profit margin.

During the Reporting Period, the Group continued to increase investment in research and development ("**R&D**"), focusing on expanding the innovative products lines of ophthalmology and medical aesthetics. The R&D expenses amounted to approximately RMB73.49 million, representing an increase of approximately RMB16.91 million, or approximately 29.90%, as compared to the corresponding period in 2020, among which, in addition to the continuous new investment in clinical trial projects such as orthokeratology lens, hydrophobic molded aspherical IOL product, and retinal tears sealant, the Group also introduced the hydrophobic molded toric aspheric IOL project into the clinical trial stage during the Reporting Period, which led to the continuous increase of R&D expenses in the Group's ophthalmic products. The R&D expenses in ophthalmic products reached approximately RMB42.37 million during the Reporting Period, representing an increase of approximately RMB10.48 million, or approximately 32.88%, as compared to the corresponding period in 2020.

During the Reporting Period, the profit attributable to owners of the parent was approximately RMB231.02 million, representing an increase of approximately 739.26% as compared to the corresponding period in 2020.

As at the end of the Reporting Period, the total assets of the Group were approximately RMB6,596.39 million, and the net assets attributable to owners of the parent were approximately RMB5,677.45 million, representing an increase of approximately 4.73% and 3.40% respectively as compared to those at the end of 2020.

Ophthalmology Products

Focusing on the leading technologies in the global ophthalmology field, the Group is committed to accelerating the localization process 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**") under the National Medical Products Administration of the PRC ("**NMPA**") Southern Medicine Economic Research Institute, the market share of the Group's OVD products was 45.24% in 2020, ranking first in China with a market share of over 40% for the past 14 consecutive years. Based on sales volume, the Group's IOL products of different brands have captured about 30% of the annual usage in China's IOL market. In addition, Contamac Holdings, a subsidiary of the Group, is one of the world's largest independent manufacturers of ophthalmic materials providing ophthalmic materials such as materials for IOL and orthokeratology lenses to customers in more than 70 countries worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB354.41 million, representing an increase of approximately RMB145.28 million, or approximately 69.47%, as compared to the corresponding period in 2020. The breakdown of revenue from ophthalmology products by specific products is as follows:

Item	**January-June 2021**		January-June 2020		
	RMB'000 ***(Unaudited)***	***%***	*RMB'000* *(Unaudited)*	*%*	Change (%)
Cataract surgery product line	**243,963**	**28.84**	142,036	28.78	71.76
IOL products	**190,708**	**22.54**	116,324	23.57	63.95
OVD products	**53,255**	**6.30**	25,712	5.21	107.12
Myopia prevention and control, and refractive correction product line	**101,801**	**12.04**	64,217	13.01	58.53
Ophthalmology and optometry materials	**81,758**	**9.67**	63,144	12.79	29.48
Ophthalmology and optometry end products	**20,043**	**2.37**	1,073	0.22	1,767.94
Other ophthalmology products	**8,645**	**1.02**	2,877	0.58	200.35
Total	**354,409**	**41.90**	209,130	42.37	69.47

(Note: During the Reporting Period, the Group adjusted the therapeutic field of some ophthalmic products from "Other ophthalmology products" to "Ophthalmology and optometry end products" in the field of myopia prevention and control and refractive correction. Therefore, the revenue of "Other ophthalmology products" under the category of ophthalmology products and its percentage in the revenue of ophthalmology products during the Reporting Period are different from the corresponding data listed in the Group's 2020 Interim Report.)

During the Reporting Period, the Group's cataract surgery product line recorded revenue of approximately RMB243.96 million, representing an increase of approximately 71.76% as compared to the corresponding period in 2020, among which, IOL products and OVD products recorded revenues of approximately RMB190.71 million and RMB53.26 million respectively, representing the increases of approximately 63.95% and 107.12% respectively as compared to the corresponding period in 2020. IOL products and OVD products are mainly used for cataract surgery, and the revenue of this product line resumes growth with the rebound in the quantity of cataract surgeries in China.

During the Reporting Period, the Group's myopia prevention and control and refractive correction product line recorded revenue of approximately RMB101.80 million, representing an increase of approximately 58.53% as compared to the corresponding period in 2020, among which, the ophthalmic materials business in the upstream of the supply chain achieved revenue of approximately RMB81.76 million during the Reporting Period, representing an increase of approximately 29.48% as compared to the corresponding period in 2020, mainly due to the gradual weakening of the impact of the global Pandemic and the continuous expanding of the Group's gas permeable materials and other products in the United States and other international markets. ophthalmology and optometry end products cover orthokeratology lenses and the eye drops and equipments used in the process of fitting and wearing them, soft contact lenses, phakic refractive lenses and other products. During the Reporting Period, the Group's ophthalmology and optometry end products recorded revenue of approximately RMB20.04 million.

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 RMB8.64 million, representing an increase of 200.35% as compared to the corresponding period in 2020, mainly due to the rebound in the quantity of various ophthalmic operations performed after effective control of the Pandemic in China.

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 Group; mastered the R&D and production process of IOL products through our subsidiaries Aaren Scientific Inc., Henan Universe, and Henan Simedice Biotechnologies Co. Ltd.; meanwhile, strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of our subsidiary NIMO. In terms of specific products, 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, the United Kingdom and France to promote the R&D activities for high-end toric and multifocal IOL products. The Group has also extended the materials from hydrophilic IOL materials to hydrophobic IOL materials, and adopts 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, the innovative casting molded hydrophobic aspheric IOL product has been advancing its clinical trial started in September 2020 in an orderly manner in China, and has obtained the European Union CE certificate in January 2021.The Group's hydrophobic molded toric aspheric IOL product has obtained the European Union CE certificate in April 2021, and started clinical trials since July 2021 in China.

During the Reporting Period, in the volume-based procurements of IOL high-value consumables organized by Guangdong-Jiangxi-Henan province alliance, Fujian Province, Jiangsu Province and other regions, multiple types of the Group's IOL series products were selected, covering spherical IOLs, aspheric IOLs, preloaded aspheric IOLs, and segmented bifocal IOLs. At present, most provinces and alliances in China have initially completed the tendering process of their volume-based procurements. In some regions that have completed the tendering process of their volume-based procurements in 2020, the sales volumes of the Group's products begin to show a good momentum of growth. In addition, there are still some regions which have entered a transitional stage of promoting the implementation of procurement results. Generally, the selected products need to wait for the issuance of relevant policy rules to complete the supplementary network connection, sign the purchase agreement with hospitals, confirm the delivery service providers and other specific tasks. Therefore, it will take a certain amount of time for the procurement results to be implemented. In addition, some dealers in the areas that have not yet started volume-based procurement tend to maintain lower inventory levels, so their willingness to purchase products has declined. In summary, the short-term sales performance of the selected enterprises is under pressure during the transition period. However, in the long term, the actual implementation of procurement results will bring more opportunities for companies with production cost control capability and product line layout capability. By leveraging its advantages in multi-brand full product lines, channels and costs, the Group will consolidate and further increase the market shares of its IOL products in the selected areas.

China is one of the countries with the largest number of blindness and visual impairment 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 and control, the Group used its self-developed optical design system based on Contamac Holdings' world-leading gas permeable material to develop new rigid gas permeable contact lenses for orthokeratology products. The clinical trials of such products were officially launched in January 2020, and are now progressing in an orderly manner with the enrollment of all subjects completed in October 2020. At the same time, the Group has also started to conduct R&D layout for the new products such as gas permeable scleroscope and soft corneal contact lenses with myopia correction capabilities.

In April 2021, the Group acquired 55% of the equity interests in Hengtai Vision. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics and Hengtai Vision, pursuant to which, Hengtai Optics Co., Ltd. ("**Hengtai Optics**") will grant exclusive distribution rights of its orthokeratology Lenses (under the brand name of "Maierkang myOK"), which owns the highest oxygen permeability with 141 DK in China, to Hengtai Vision in the territory of mainland China for a period of 10 years, ending on 31 December 2030. And Hengtai Optics will continue to grant the exclusive distribution rights of its optical lenses for the management and control of myopia in children (under the brand name of "Bestivue") to Hengtai Vision in the territory of mainland China.

In addition, the Group's self-developed eye drops product "Eyesucom" is made of exclusive 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. During the Reporting Period, the sales volume of the Group's eye drops product "Eyesucom" showed a good momentum of growth.

In April 2021, the Group acquired 60% of the equity interests in Hebei XSK. Hebei XSK has obtained four medical device registration certificates for soft contact lens products approved by the NMPA, including daily disposable and annual disposable transparent and colored soft contact lenses. In addition, Hebei XSK has mature soft contact lens production facilities and technologies, which can provide process conversion and large-scale production conditions for peripheral defocus soft corneal contact lens with myopia prevention and control capabilities that is under development by the Group, and accelerate the R&D and marketing progress of the product.

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-Phakic Refractive Lens ("**PRL**") product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by the 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 the subsidiary, with the second generation of the aqueous humor permeable product entered the registration testing stage, which will enable aqueous humor circulation and provide a wider range of vision correction. Currently, the project is in the registration testing stage.

In addition, the Group's new artificial vitreous product has entered the registration process since April 2021.

Through the above products 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

The Group's recombinant human epidermal growth factor (the "**rhEGF**") "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 EGF and the first registered rhEGF product in the world. According to the research reports of Biaodian Medical, the market share of "Healin" products reached 23.84% in 2020, further narrowing the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as mono-phase crosslinking, 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 former State Food and Drug Administration in the PRC. It is mainly positioned as a popular entry-level hyaluronic acid. 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 clinical trials of the fourth-generation organic cross-linked HA dermal filler product are being carried out in an orderly manner. 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.

During the Reporting Period, the Group's revenue of medical aesthetics and wound care products was approximately RMB179.07 million, representing an increase of approximately RMB103.26 million, or 136.20%, as compared to the corresponding period in 2020. The breakdown of the revenue from medical aesthetics and wound care products by specific products is as follows:

Item	**January-June 2021**		January-June 2020		
	RMB'000	*%*	*RMB'000*	*%*	Change (%)
	(Unaudited)		*(Unaudited)*		
HA dermal filler	**119,112**	**14.08**	49,024	9.93	142.97
rhEGF	**59,962**	**7.09**	26,790	5.43	123.82
Total	**179,074**	**21.17**	75,814	15.36	136.20

In recent years, the speed of upgrade of medical aesthetic products and related technologies have been accelerating. These new products and technologies can satisfy existing consumer demands as well as attracting more potential consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept. At present, China has become the second largest medical aesthetic market in the world. However, compared with other major medical aesthetic markets of other countries, China's penetration rate of medical aesthetic projects is still at a low level, and potential for growth in the market is still significant. In the niche market of HA dermal filler products, the HA dermal filler for injection has become one of the most popular consumption projects among medical beauty institutions and beauty seekers with relatively higher repurchase rate over time for its safety, effectiveness, high price-performance ratio and other features.

Leveraging on its highly 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 multi-dimensional 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 revenue of approximately RMB119.11 million, representing an increase of approximately RMB70.09 million, or approximately 142.97%, as compared to the corresponding period in 2020, mainly due to the gradual recovery of the medical aesthetics industry from the Pandemic and the continuous increase in the sales volume of the third-generation HA dermal filler product "Hyalumatrix" launched by the Group in 2020, which gradually won clinical usage and consumer recognition.

In addition, the Group always focuses on the industrial layout in the field of medical aesthetics, aiming to integrate domestic and overseas industrial resources and introduce international advanced innovative technologies and products through various approaches such as R&D, investment and cooperation. During the Reporting Period, the Group has completed the following layout of the medical aesthetics products line:

In February 2021, the Company signed an equity transfer and capital increase agreement, pursuant to which, the Company will acquire 63.64% of the equity in Ouhua Meike (Tianjin) Medical Technology Co., Ltd. ("**Juva Medical**") with a total investment of RMB205 million. After that, the radio frequency and laser medical aesthetics devices and household instruments, as well as innovative dermal fillers of Juva Medical will be included in medical aesthetics products portfolio of the Group.

In March 2021, the Company signed a series of agreements, pursuant to which, the Company shall use a maximum amount of US$31 million to subscribe for series A preferred shares of Eirion based on a pre-investment valuation of US$190 million in accordance with the agreed milestones completed by Eirion. In return, Eirion shall authorize the Group to conduct exclusive R&D, sales and commercialization of its innovative topical smear type-A botulinum toxin product ET-01, classic injection type-A botulinum toxin product AI-09, and small molecule drug product ET-02 for the treatment of alopecia and gray hair in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Region. Through this transaction, the Group will successfully enter the fields of botulinum toxin and small molecule drugs.

Up to now, the Group's medical aesthetics products portfolio has formed a complete business matrix covering four major categories including dermal fillers, botulinum toxin, radio frequency devices and laser equipment, which can penetrate into three major application scenarios for medical aesthetics institutions, life aesthetics and home aesthetics, and fully satisfy the demands of end consumers.

Orthopedics Products

During the Reporting Period, the orthopedics products of the Group recorded revenue of approximately RMB204.71 million, representing an increase of approximately RMB75.78 million, or approximately 58.79%, as compared to the corresponding period in 2020. The breakdown of the revenue generated from the sales of orthopedics products by specific products is as follows:

Item	**January-June 2021**		January-June 2020		
	RMB'000 ***(Unaudited)***	*%*	*RMB'000* *(Unaudited)*	*%*	Change (%)
Sodium hyaluronate injection	**133,863**	**15.82**	91,800	18.60	45.82
Medical chitosan used for intra-articular viscosupplement	**70,845**	**8.38**	37,120	7.52	90.85
Total	**204,708**	**24.20**	128,920	26.12	58.79

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%. As present, there are more than 100 million osteoarthritis patients in China. The Group is the only enterprise having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. Meanwhile, the water-soluble chitosan technology used in the Group's medical chitosan products (for intra-articular viscosupplement) is the exclusive patented technology of the Group, making the product the only intra-articular viscosupplement registered as a Class III medical device in the PRC. During the Reporting Period, the NMPA issued a reply letter, classifying and defining the medical chitosan product (used for intra-articular viscosupplement) as a Class III medical device. In August 2021, the registration certificate of the Group's medical chitosan product (for intra-articular viscosupplement), as a Class III medical device, has been smoothly renewed. In addition, during the Reporting Period, the National Healthcare Security Administration reclassified the primary category of the Company's medical chitosan product (for intra-articular viscosupplement) from anti-adhesion and hemostasis material to orthopedic material, opening up the space for wide use of the product in the prevention and treatment of osteoarthritis in public hospitals. Our 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 sales volume of the Group's orthopedic intra-articular viscoelastic supplements product portfolio has recovered rapidly from the Pandemic and continued to expand its market share.

According to the research reports of Biaodian Medical, in 2020, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for seven consecutive years, with a market share continuously increasing from 42.06% to 43.30%.

Anti-adhesion and Hemostasis Products

During the Reporting Period, the Group's anti-adhesion and hemostasis products achieved revenue of approximately RMB94.63 million, increased by approximately RMB26.22 million as compared to the corresponding period in 2020, representing an increase of approximately 38.32%. Overall, the sale volume and revenue of the Group's anti-adhesion and hemostasis products have resumed the levels before the outbreak of the Pandemic. The breakdown of revenue from the sales of anti-adhesion and hemostasis products by specific products is as follows:

Item	**January-June 2021**		January-June 2020		
	RMB'000 ***(Unaudited)***	*%*	*RMB'000* *(Unaudited)*	*%*	Change (%)
Medical chitosan used for anti-adhesion	**49,588**	**5.87**	36,878	7.47	34.46
Medical sodium hyaluronate gel	**34,530**	**4.08**	25,024	5.07	37.99
Collagen sponge	**10,513**	**1.24**	6,511	1.31	61.48
Total	**94,631**	**11.19**	68,413	13.85	38.32

In March 2021, the Group's porcine fibrin sealant was approved by the NMPA for registration and marketing. Porcine fibrin sealant is a new type of degradable and fast hemostatic biological material made by extracting protein from porcine blood. The main active ingredients of it are porcine fibrinogen and porcine thrombin. In addition to the Group, there are currently only three enterprises that have obtained product registration certificates for porcine fibrin sealant in the domestic market. In aspect of functions, porcine fibrin sealant has the effects of reducing bleeding, closing wounds, and promoting wound healing. It can be widely used in general surgery, gynecology, cardio and brain surgery, neurosurgery, thoracic surgery, hepatobiliary surgery and other departments. It can be used as an auxiliary for surgical hemostasis when the bleeding is unsatisfactory in conventional surgical operations. The sources of fibrin sealants are mainly divided into two categories: human origin and animal origin. Among them, human-derived fibrin sealants have fewer sources and high costs, while porcine fibrin sealants have more sources and are more convenient to produce. The plasma collection for the Group's porcine fibrin sealants scomes from the pig breeding base of the Group, which can reduce environmental pollution and the contamination to plasma caused by the environment, thus ensuring the safety of plasma sources and the high quality of plasma. In addition, the porcine fibrin sealant of the Group is the only product currently approved in China, which uses live pulp to prepare raw materials. The Group applied for a series of invention patents for the pulp collection technology of this product, including a device for quickly capturing and fixing live pigs, a movable live pig tissue collection bed, etc., to ensure that the pig plasma collection is internationally leading and innovative in terms of the traceability of pig sources, the controllability of the breeding environment, and the safety of porcine blood products.

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Industry Structure and Prospects

At present, the domestic pharmaceutical and medical device industry is undergoing a series of major changes: reform of medical insurance payment methods, centralized tendering and volume-based procurement will continue to deepen from the top down foreseeably. Although the above-mentioned policy factors have brought severe challenges to the operating performance of pharmaceutical and medical device companies, they will also undoubtedly benefit the overall healthy and sustainable development of the industry.

In the meantime, the rigid market demand brought by the aging and urbanization process in China is still driving the industry to grow steadily. As far as the four areas of the Group are concerned, the IOL industry has been listed as a key industry development area by the "13th Five-Year Plan" for Biological Industry Development (《「十三五」生物產業發展規劃》) and the Guidelines for the Development Planning of the Pharmaceutical Industry (《醫藥工業發展規劃指南》), orthopedics and medical aesthetics products are also on the high ceiling quality track. With the rapid growth of diversified medical needs, the gradual improvement of the medical insurance payment system, and the continuous upgrade of the concept of national health consumption, leading pharmaceutical companies with solid product treatment efficacy, brand value, and innovative ability will encounter major development opportunities.

Development Strategy of the Company

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 the second half of 2021, the Group will continue to deeply promote the integration 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, the Group will, by utilizing its superior R&D resources in China, the US and the UK and continuing the R&D investment in innovative products, keep promoting the upgrading of product portfolios. In the second half of 2021, the Group will focus on the clinical trials and registration review of important projects such as casting molded hydrophobic aspheric IOL, hydrophobic toric aspheric IOL, second generation of the aqueous humor permeable refractive lens with crystalline lens, and innovative rigid gas permeable orthokeratology lens. In terms of marketing, the Group will pay continuous attention to changes in the policy environment such as volume-based procurement of IOL and medical insurance payment. By making use of the Group's multi-brand product line advantages, channel advantages and cost advantages, the Group has formulated scientific benchmarking strategies to ensure that its IOL series products can achieve good bidding results. Meanwhile, the Group has adjusted sales strategies in time to respond to the new marketing pattern in the post-volume-based procurement era. In the first half of 2021, the Group completed the market preparation such as price system positioning and distributor selection for "Maierkang myOK", a competitive product in the field of myopia prevention and control. On this basis, the Group will focus on academic promotion and brand operation in the second half of the year, to promote the coverage of "Maierkang myOK" in key institutions and regions, establish a professional academic brand image, and rapidly penetrate the market.

In the field of medical aesthetics and wound care, in the second half of 2021, the Group will take advantage of the efficacy and price positioning of the "Matrifill" and "Janlane" and "Hyalumatrix" series of HA dermal filler products to accelerate the market penetration of the new product "Hyalumatrix" through the extensive sales network. This aims to further expand the 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. Meanwhile, the Group will leverage its rich experience and competitive research and development platform of absorbable biological materials to explore leading innovative cross-linking technology. In the second half of 2021, the Group will continue to promote the clinical trial of the fourth generation of organic cross-linked HA dermal filler products. The Group will also integrate its advantageous resources with Juva Medical to give full play to the high synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing. Through collaborative R&D, advanced process and exchanges on quality control technology, the Company will strengthen its technological strength and product competitiveness in the field of biological materials and dermatology. Among them, core polysaccharide cross-linking technology, multi-phase radio frequency technology, and laser technology applied in hair removal and skin treatment will further supplement and enrich the Group's medical beauty product matrix, so as to meet the diversified market demands. In addition, in the second half of 2021, the Group will promote the integration of the domestic and overseas direct sales and e-commerce teams of both parties covering three major application scenarios, namely medical aesthetics, life aesthetics and home aesthetics, to share their respective original customer resources and improve operational efficiency and sales achievement rate.

In the second half of 2021, the Group will continue to use its own funds, deepen the deployment of myopia prevention and control and refractive correction on the basis of the existing full industry chain layout of ophthalmology, and focus on more ophthalmic treatment areas such as ocular surface and fundus. In addition, the Group will explore the fast-growing therapeutic areas such as medical beauty, orthopedics and surgery, 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 achieve long-term sustainable growth.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB845.87 million (the corresponding period in 2020: approximately RMB493.61 million), representing an increase of approximately RMB352.26 million or approximately 71.37% as compared to the corresponding period in 2020. During the Reporting Period, as the domestic Pandemic was effectively controlled, the impact of the Pandemic on the Group's operating activities gradually diminished and the sales revenue of the Group's product lines increased significantly as compared with the corresponding period in 2020, continuing the trend of continuous recovery and steady improvement since the second half of 2020.

During the Reporting Period, the overall gross profit margin of the Group was 74.37%, which decreased slightly, compared with 77.10% in the corresponding period in 2020, mainly due to the selling price decrease of some types of intraocular lens in volume-based procurement regions. In addition, the Group appropriately reduced the selling price of "Matrifill" HA dermal filler products to highlight its product positioning of the "National HA dermal filler", which also led to a decrease in gross profit margin during the Reporting Period. The Group has a rich products layout in the product lines of intraocular lens and HA dermal filler, and the decrease in the prices of certain mid-to-low-end products has certain impact on the gross profit margin. However, the Group is also striving to increase the sales proportion of mid-to-high-end and high-end products to stabilize the overall gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group was approximately RMB253.10 million, representing a decrease of approximately RMB47.87 million or approximately 15.91% (the corresponding period in 2020: approximately RMB300.97 million). During the Reporting Period, the volume-based procurement for IOL products was implemented in most provinces or consortia across the country, which changes the sales mode. As a result, the Group reduced the investment in marketing activities in regions where the volume-based procurement has been implemented, and marketing expense was decreased accordingly. During the Reporting Period, the ratio of sales and distribution expenses to the total revenue of the Group was 29.92%, a significant decrease from 60.97% in the corresponding period of 2020, which is mostly attributable to the significant decrease of the revenue for the corresponding period of 2020 due to the Pandemic, so they are not comparable.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group was approximately RMB109.90 million, representing an increase of approximately RMB10.65 million or approximately 10.73% from approximately RMB99.25 million for the corresponding period of 2020. This increase was mainly attributable to the recovery of various administrative activities of the Group as the Pandemic weakened, and the increase in the bonuses as compared to the corresponding period of 2020.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group was approximately RMB73.49 million, representing an increase of approximately RMB16.92 million or approximately 29.90% from approximately RMB56.57 million for the corresponding period in 2020. The growth of R&D expenses was primarily due to the continuous increase of R&D investments of the ophthalmic and medical aesthetic products made by the Group as well as the continuous investment in several projects that have entered the critical clinical trial stage, leading to more R&D investment.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB37.33 million (the corresponding period of 2020: income tax credit of approximately RMB1.09 million), which was primarily due to the orderly recovery of operations of the Group and the significant increase in pre-tax profit as compared to the corresponding period of 2020.

Results of the Reporting Period

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB231.02 million (the corresponding period in 2020: approximately RMB27.53 million), representing an increase of approximately RMB203.49 million or approximately 739.26% compared with the corresponding period in 2020, which was mainly attributable to the following factors: (1) during the Reporting Period, the total revenue and gross profit of the Group increased by approximately RMB352.26 million and approximately RMB248.53 million, respectively, compared with the corresponding period in 2020, due to the gradual weakening of the impact of the pandemic on the Group's operating activities; (2) as mentioned above, during the Reporting Period, the sales and distribution expenses, administrative expenses and R&D expenses of the Group slightly decreased, compared with the corresponding period in 2020, representing a decrease of approximately RMB20.31 million; (3) during the Reporting Period, income tax expenses increased by approximately RMB38.42 million compared with the corresponding period in 2020; and (4) during the Reporting Period, the profit attributable to non-controlling interests of the subsidiaries was approximately RMB5.91 million. On the contrast, in the corresponding period in 2020, due to temporary losses incurred by certain non-wholly-owned subsidiaries, particularly NIMO, the loss attributable to non-controlling interests of the subsidiaries was approximately RMB15.41 million. Hence, the profit and loss attributable to non-controlling interests increased by approximately RMB21.32 million.

During the Reporting Period, the basic earnings per share of the Company were RMB1.31 (the corresponding period in 2020: RMB0.15).

Liquidity and Capital Resources

As at 30 June 2021, the total current assets of the Group were approximately RMB3,899.97 million, representing an increase of approximately RMB90.01 million or 2.36% compared with the amount as at 31 December 2020, primarily due to the continuous increase in the revenue and cash flow from operating activities as the Group's operating activities resumed normal during the Reporting Period as well as the increase in the balance of trade and bills receivables and cash and bank balances as at 30 June 2021 compared with the end of the previous year.

As at 30 June 2021, the total current liabilities of the Group were approximately RMB512.11 million, representing an increase of approximately RMB78.35 million compared with the amount as at 31 December 2020, which was primarily due to the increase in dividends payable as a result of the approval of the dividend distribution plan at the annual general meeting of the Company in June 2021.

As at 30 June 2021, the Group's current assets to liabilities ratio was approximately 7.62 (31 December 2020: 8.78). Compared with the end of 2020, there was a slight decrease, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 1,522 employees as at 30 June 2021. The breakdown of the total number of employees by function was as follows:

Production	637
R&D	286
Sales and Marketing	364
Finance	53
Administration	182
Total	1,522

The Group's remuneration policy for its employees is based on their working experience, daily performance, the sales of the Company and external market competition. The Group provides various thematic training programs for its employees regularly. During the Reporting Period, the remuneration policy and training programs had no material change and the total remuneration of the Group's employees amounted to approximately RMB160.98 million. The management of the Company will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the internal and external conditions, so as to realize the Group's strategic goal through its reasonable human resources structure.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the 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 dollar and HKD. It is the Group's policy to enter into principal guaranteed and conservative deposits transactions only and the Group is restricted from investing in high-risk financial products.

Asset Pledge

As at 30 June 2021, the Group's bank deposits of approximately RMB614,000 were used as the security for a Letter of Guarantee for Quality.

As at 31 December 2020, the Company's bank borrowings of approximately RMB50.00 million were secured by the pledge of bank deposits of approximately RMB50.00 million from Shanghai Qisheng, a subsidiary of the Company; the Group's bank deposits of approximately RMB963,000 were used as the security for a Letter of Guarantee for Quality. In addition, the bank borrowings of approximately RMB148,000 of ODC, a subsidiary of the Company, were secured by the pledge of a transportation vehicle of ODC with the carrying amount of approximately RMB201,000.

Gearing Ratio

As at 30 June 2021, the total liabilities of the Group amounted to approximately RMB652.60 million and the gearing ratio (the percentage of total liabilities to total assets) was 9.89%, remaining stable as compared to 8.96% as at 31 December 2020.

Cash and Cash Equivalents

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB604.02 million, representing a decrease of approximately RMB723.87 million from that of approximately RMB1,327.89 million as at 31 December 2020. The decrease was mainly attributable to net cash outflows used in investing activities and financing activities of approximately RMB801.39 million and RMB42.09 million, respectively, which were partially offset by net cash inflows generated from operating activities of approximately RMB120.79 million during the Reporting Period.

Bank Borrowings

As at 30 June 2021, the Company and NIMO (a subsidiary of the Company), had interest-bearing bank borrowings of approximately RMB22.20 million and RMB15.01 million respectively (as at 31 December 2020, the Company and NIMO had interest-bearing bank borrowings of approximately RMB50.00 million and RMB28.69 million respectively).

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group had no other material investment plans or capital asset plans as at the date of this announcement.

Significant Investment, Material Acquisitions or Disposal of Subsidiaries

During the Reporting Period, the Group had no other significant investment, material acquisitions nor disposal of subsidiaries.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 30 June 2021, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 15 to the financial statements in this announcement for the details of significant subsequent event of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

At the 2019 annual general meeting, the 2020 second A shareholders' class meeting and the 2020 second H shareholders' class meeting of the Company held on 29 June 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H Shares. Pursuant to such mandate, the Company repurchased a total of 584,500 H Shares on the Stock Exchange from 21 July 2020 to 3 September 2020, using a total amount of approximately HK$31,236,345. On 19 March 2021, the Company cancelled the 584,500 H Shares repurchased. Pursuant to such mandate, the Company repurchased a total of 800,000 H Shares on the Stock Exchange from 26 April 2021 to 14 May 2021, using a total amount of approximately HK$53,701,805. On 14 July 2021, the Company cancelled the 800,000 H Shares repurchased. After the cancellation, the total number of shares of the Company was 175,822,100.

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.

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2021.

Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**") throughout the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors. Following specific enquires by the Company, all of Directors and Supervisors confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference. As at the date of this announcement, the Audit Committee comprises five directors, namely Ms. Li Yingqi (Chairwoman), Ms. You Jie, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting procedures, risk management and internal control systems. And the Board held a meeting on 26 August 2021 to authorize the Audit Committee to oversee the environmental, social and governance ("**ESG**") work of the Group to promote the development and implementation the Group's ESG work.

During the Reporting Period, the Audit Committee respectively held meetings on 26 March 2021 and 23 April 2021 to mainly consider the Group's audited consolidated financial statements for the year ended 31 December 2020 and the unaudited consolidated financial statements for the three months ended 31 March 2021. The Audit Committee held a meeting on 26 August 2021 to review the unaudited consolidated financial statements, interim results and the interim report of the Group for the six months ended 30 June 2021 and agreed with the accounting treatments adopted by the Company.

Publication of Interim Results and Interim Report

This announcement will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.3healthcare.com).

The 2021 interim report of the Company that contains full information specified in the Hong Kong Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.3healthcare.com).

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

Shanghai, the PRC, 26 August 2021

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

* *For identification purpose only*