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 2018

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

- During the Reporting Period, the Group recorded a total revenue of approximately RMB761.07 million (the corresponding period in 2017: approximately RMB605.12 million), representing an increase of approximately RMB155.95 million or 25.8% as compared to the corresponding period in 2017.
- During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB336.44 million (the corresponding period in 2017: approximately RMB224.81 million), representing an increase of approximately RMB111.63 million or 49.7% as compared to the corresponding period in 2017. During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was approximately RMB177.07 million (the corresponding period in 2017: approximately RMB127.83 million), representing an increase of approximately RMB49.24 million or 38.5% as compared to the corresponding period in 2017.

- During the Reporting Period, the profit attributable to ordinary equity holders of the parent was approximately RMB211.42 million (the corresponding period in 2017: approximately RMB175.78 million), representing an increase of approximately 20.3% as compared to the corresponding period in 2017. The amortisation and depreciation charge attributable to ordinary equity holders of the parent on intangible assets and fixed assets from business acquisitions of the Group (after tax) was approximately RMB7.89 million (the corresponding period in 2017: approximately RMB5.58 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB219.31 million (the corresponding period in 2017: approximately RMB181.36 million), representing an increase of approximately 20.9% as compared to the corresponding period in 2017.

- During the Reporting Period, the basic earnings per share were RMB1.32 (the corresponding period in 2017: RMB1.10).

- The Group continues to maintain its leading position in the industry: the Group's domestic market shares of intra-articular viscosupplement, anti-adhesion products and ophthalmic viscoelastic devices ("**OVD**") products rank first in the market, representing 36.2%, 49.0% and 45.9% respectively in 2017; whilst the market share of recombinant human epidermal growth factor ("**rhEGF**") products for external use, i.e. "Healin", continued to increase and reached 18.6%, ranking the second place in the market.

- As at the date of this announcement, the National Development and Reform Commission released the 2017-2018 (24th Batch) Newly Accredited List and Full List of National Enterprise Technology Centers, on which the Company has been included as the only bio-medicine enterprise in Shanghai, making the Company one of the 18 medical device enterprises recognized by the National Enterprise Technology Center since 1993. In addition, as at the date of this announcement, the Company passed an appraisal and was awarded the title of Intellectual Property Right Demonstration Enterprise of China in 2018.

- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2018.

INTERIM RESULT (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the six-month period ended 30 June 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
	Notes	***(Unaudited)***	*(Unaudited)*
REVENUE	4	**761,073**	605,124
Cost of sales		**(158,331)**	(127,287)
Gross profit		**602,742**	477,837
Other income and gains, net	4	**65,878**	56,292
Selling and distribution expenses		**(253,975)**	(213,335)
Administrative expenses		**(108,201)**	(65,763)
Research and development costs		**(39,073)**	(32,121)
Other expenses		**(2,222)**	149
Finance costs		**(666)**	(1,012)
Share of profits and losses of:			
A joint venture		**6**	—
An associate		**1,139**	—
PROFIT BEFORE TAX	5	**265,628**	222,047
Income tax expense	6	**(37,303)**	(35,408)
PROFIT FOR THE PERIOD		**228,325**	186,639
Attributable to:			
Ordinary equity holders of the parent		**211,423**	175,777
Non-controlling interests		**16,902**	10,862
		228,325	186,639
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
- For profit for the period	8	**1.32**	1.10

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	**228,325**	186,639
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**—**	(5,471)
Exchange differences on translation of foreign operations	**(2,544)**	1,151
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax	**(2,544)**	(4,320)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net gain on equity instruments at fair value through other comprehensive income	**33,512**	—
Income tax effect	**392**	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax	**33,904**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**31,360**	(4,320)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**259,685**	182,319
Attributable to:		
Ordinary equity holders of the parent	**242,783**	171,457
Non-controlling interests	**16,902**	10,862
	259,685	182,319

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** ***RMB'000*** ***(Unaudited)***	31 December 2017 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**658,518**	585,757
Prepaid land lease payments		**39,563**	40,640
Other intangible assets		**434,832**	449,514
Goodwill		**409,503**	410,144
Investment in a joint venture		**13,908**	13,778
Investment in an associate		**5,511**	3,549
Financial assets at fair value through other comprehensive income		**621,349**	—
Available-for-sale investments		**—**	91,453
Deferred tax assets		**23,548**	17,510
Other non-current assets		**31,477**	76,984
Total non-current assets		**2,238,209**	1,689,329
CURRENT ASSETS			
Inventories		**184,758**	174,914
Trade and bills receivables	9	**369,825**	333,042
Prepayments, deposits and other receivables		**51,030**	80,594
Cash and bank balances		**1,383,726**	1,797,420
Total current assets		**1,989,339**	2,385,970
CURRENT LIABILITIES			
Trade and bills payables	10	**46,213**	39,009
Other payables and accruals		**433,506**	376,431
Interest-bearing bank borrowings	11	**21,532**	19,888
Tax payable		**46,992**	42,428
Total current liabilities		**548,243**	477,756
NET CURRENT ASSETS		**1,441,096**	1,908,214
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,679,305**	3,597,543
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	**17,466**	17,596
Other payables and accruals		**—**	93,241
Deferred tax liabilities		**107,814**	110,894
Deferred income		**7,658**	9,107
Total non-current liabilities		**132,938**	230,838
NET ASSETS		**3,546,367**	3,366,705

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As at 30 June 2018

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
EQUITY		
Equity attributable to ordinary equity holders of the parent		
Share capital	**160,045**	160,045
Reserves	**3,203,277**	3,040,517
	3,363,322	3,200,562
Non-controlling interests	**183,045**	166,143
Total equity	**3,546,367**	3,366,705

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.

During the six months ended 30 June 2018 (the "**Reporting Period**"), the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate, ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

In the opinion of the directors of the Company (the "**Directors**"), the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie (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 equity instruments at fair value through other comprehensive income ("**FVTOCI**"), 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 2017.

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as further explained below, the adoption of other new standards, interpretations and amendments do not have a material impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e., applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application), without restating comparative information. The principal impacts resulting from the application of IFRS 9 on the Group's financial assets or liabilities are summarised below:

(a) Classification and measurement

IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Prior to 1 January 2018, the Group's listed equity investments were classified as "available-for-sale investments" and measured at fair value, and the Group's unlisted equity investments were classified as "available-for-sale investments" and measured at cost less any impairment. Upon adoption of IFRS 9, the Group has irrevocably elected to classify the listed and unlisted equity investments as financial assets at FVTOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. All other financial assets and liabilities continue to be measured on the same basis as were measured under IAS 39.

(b) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. IFRS 9 requires the Group to record an allowance for ECLs for all financial assets that are debt instruments measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 30 June 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade and bills receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group determined that there are no significant financial impact arising from these changes.

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, intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mainland China	**682,690**	599,523
United States of America ("**USA**")	**39,409**	3,215
United Kingdom ("**UK**")	**4,806**	922
Other countries	**34,168**	1,464
	761,073	605,124

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

(b) Non-current assets

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Mainland China	**1,226,845**	1,192,985
USA	**90,712**	90,389
UK	**275,136**	296,301
Other countries	**619**	691
	1,593,312	1,580,366

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

Information about major customers

No revenue from a single customer contributed to 5% or more of the Group's revenue during the Reporting Period (six months ended 30 June 2017: none).

4. REVENUE AND OTHER INCOME AND GAINS

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

An analysis of the Group's revenue and other income and gains is as follows:

		Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
	Note	***(Unaudited)***	*(Unaudited)*
Revenue			
Sale of goods		**761,073**	605,124
Other income and gains			
Interest income from bank deposits		**33,698**	29,110
Government grants	(i)	**26,474**	24,763
Dividends received		**2,719**	2,087
Foreign exchange gains/(loss), net		**1,363**	(3,318)
Others		**1,624**	3,650
		65,878	56,292

Note:

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

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**158,331**	127,287
Depreciation	**25,234**	20,446
Amortisation of prepaid land lease payments	**605**	369
Amortisation of other intangible assets	**13,583**	10,527
Minimum lease payments under operating leases	**5,895**	5,894
Employee benefit expenses:		
- Wages and salaries	**114,512**	65,006
- Pension scheme contributions	**9,381**	7,465
Foreign exchange differences, net	**1,363**	(3,318)
Provision/(reversal) of impairment of trade and other receivables	**656**	(370)
Write-down of inventories to net realisable value	**89**	109
Interest income from bank deposits (note 4)	**(33,698)**	(29,110)
Dividends income (note 4)	**(2,719)**	(2,087)
Net loss/(gain) on disposal of items of property, plant and equipment	**10**	(262)

6. INCOME TAX

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

The Company and its subsidiaries, Shanghai Qisheng Biologics Company Limited ("**Shanghai Qisheng**"), Shanghai Jianhua Fine Biological Products Company Limited ("**Shanghai Jianhua**") and Henan Universe Intraocular Lens Research and Manufacture Company Limited ("**Henan**

Universe") were accredited as high and new-tech enterprises (the "**HNTE Status**") respectively, effective for the three years from 2017 to 2019 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe. Shenzhen New Industries Material of Ophthalmology Co., Ltd. ("Shenzhen NIMO") was accredited with HNTE Status, effective for the three years from 2015 to 2017 by the relevant authorities. In 2018, Shenzhen NIMO is in the process of HNTE Status renewal for the next three years from 2018 to 2020. 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 Shenzhen NIMO.

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

The profits tax for subsidiaries in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting Period.

The profits tax for subsidiaries in the USA has been provided at the rate of 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% on the estimated assessable profits arising in the UK during the Reporting Period.

The major components of tax expenses for the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current		
Charge for the period	**45,451**	41,831
Underprovision in prior periods	**214**	107
Deferred	**(8,362)**	(6,530)
Total tax charge for the period	**37,303**	35,408

7. DIVIDENDS

The proposed final dividend of RMB0.50 (tax included) per ordinary share for the year ended 31 December 2017 was declared payable by the shareholders at the annual general meeting of the Company on 11 June 2018.

The directors of the Company does not recommend the distribution of an interim dividend in respect of the six months period ended 30 June 2018 (for the six months period ended 30 June 2017: nil).

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

The calculation of the basic earnings per share amounts 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 160,045,300 (for the six months period ended 30 June 2017: 160,045,300) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the six months periods ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	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	**211,423**	175,777
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**160,045,300**	160,045,300

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Bills receivable	**2,018**	3,265
Trade receivables	**396,065**	354,870
Impairment	**(28,258)**	(25,093)
	369,825	333,042

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 six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**227,534**	232,489
3 to 6 months	**63,401**	66,047
6 months to 1 year	**70,190**	26,016
1 to 2 years	**7,972**	8,026
2 to 3 years	**728**	464
	369,825	333,042

10. TRADE AND BILLS PAYABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**29,213**	39,009
Bills payable	**17,000**	—
	46,213	39,009

An ageing analysis of trade and bills payables as at the end of the reporting period is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**41,906**	35,295
3 months to 1 year	**2,665**	3,373
Over 1 year	**1,642**	341
	46,213	39,009

Trade and bills payables are non-interest-bearing and are normally settled on 30- to 90- day terms.

11. INTEREST-BEARING BANK BORROWINGS

	Note	**30 June 2018** ***RMB'000*** ***(Unaudited)***	31 December 2017 *RMB'000* *(Audited)*
Bank loans:			
- Secured	(1)	**38,998**	37,484
Repayable:			
Within one year		**21,532**	19,888
In the second year		**871**	871
In the third to fifth years, inclusive		**2,770**	2,769
Beyond five years		**13,825**	13,956
		38,998	37,484
Portion classified as current liabilities		**(21,532)**	(19,888)
Non-current portion		**17,466**	17,596

The bank loans bear interest at rates ranging from 2.92% to 3.87% (31 December 2017: 2.92% to 3.54%) per annum.

Note:

(1) As at 30 June 2018, the apartments of the non-controlling shareholders of Shenzhen NIMO were pledged for bank loans of RMB20,699,000 (unaudited) (31 December 2017: RMB18,501,000 (audited)), which were also guaranteed by these shareholders. Meanwhile, certain of the Group's bank loan of GBP2,114,000 (unaudited) (equivalent to approximately RMB18,298,000) was secured by mortgages over the Group's properties situated in UK with an aggregate carrying amount of approximately RMB12,563,000 (unaudited) (31 December 2017: approximately RMB12,743,000 (audited)).

BUSINESS REVIEW AND PROSPECT

In recent years, with the implementation of the "13th Five-Year Plan" for deepening the reforms of the pharmaceuticals and healthcare system, various pharmaceuticals reform policies have been intensively introduced, covering almost all of the sub-sectors under the four major sectors including pharmaceuticals, healthcare, medical insurance and circulation, and exerting a profound impact on the overall pharmaceutical industry in China. Under the background of the rapid growth of diversified medical needs, the gradually refining medical insurance payment system, and the improving payment capacity of Chinese people, the pharmaceutical and medical device industry of China has been in the transitional stage of transformation in 2018, facing both severe challenges and significant developments opportunities.

During the Reporting Period, the Group improved operational efficiency through refined management, and focused on increasing investment in research and development, optimizing its product portfolio and advancing service upgrade so as to secure the steady growth of the Group's entire principal business.

During the Reporting Period, the Group recorded a total revenue of approximately RMB761.07 million (the corresponding period in 2017: approximately RMB605.12 million), representing an increase of approximately RMB155.95 million or approximately 25.8% as compared to the corresponding period in 2017. The breakdown of the Group's revenue by therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2018		January to June 2017		Year-on-year increase or decrease
	RMB'000 (unaudited)	***%***	*RMB'000 (unaudited)*	*%*	*%*
Ophthalmology products	**336,443**	**44.2%**	224,812	37.2%	49.7%
Medical aesthetics and wound care products	**177,068**	**23.3%**	127,831	21.1%	38.5%
Orthopedics products	**145,736**	**19.2%**	136,405	22.5%	6.8%
Anti-adhesion and hemostasis products	**101,577**	**13.3%**	113,482	18.8%	-10.5%
Other products	**249**	**0.0%**	2,593	0.4%	-90.4%
Total	**761,073**	**100.0%**	605,123	100.0%	25.8%

During the Reporting Period, the profit attributable to ordinary equity holders of the parent was approximately RMB211.42 million (the corresponding period in 2017: approximately RMB175.78 million), representing an increase of approximately 20.3% as compared to the corresponding period in 2017. The amortisation and depreciation charge attributable to ordinary equity holders of the Company on intangible assets and fixed assets from business acquisitions of the Group (after tax) was approximately RMB7.89 million (the corresponding period in 2017: approximately RMB5.58 million). After excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB219.31 million (the corresponding period in 2017: approximately RMB181.36 million), representing an increase of approximately 20.9% as compared to the corresponding period in 2017.

The growth of the profit attributable to ordinary equity holders of the parent during the Reporting Period was mainly contributed by the continued deepening of internal and external resource integration and the notable effects of product structure optimization.

During the Reporting Period, the basic earnings per share were RMB1.32 (the corresponding period in 2017: RMB1.10).

During the Reporting Period, the overall gross profit margin of the Group was 79.2%, basically in line with the corresponding period in 2017.

Ophthalmology Products

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

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

	January to June 2018		January to June 2017		Year-on-year increase or decrease
	RMB'000 (unaudited)	**%**	*RMB'000 (unaudited)*	*%*	*%*
IOL products and ophthalmic materials	**280,628**	**36.9%**	178,065	29.4%	57.6%
OVD products	**49,239**	**6.5%**	41,453	6.9%	18.8%
Others	**6,576**	**0.8%**	5,294	0.9%	24.2%
	336,443	**44.2%**	224,812	37.2%	49.7%

During the Reporting Period, the Group's revenue from the sales of ophthalmic products was approximately RMB336.44 million, representing an increase of approximately RMB111.63 million or 49.7% from approximately RMB224.81 million for the corresponding period in 2017.

Cataract is the number one blindness-causing disease in the world. Currently, the only effective treatment for cataract is IOL implantation through cataract surgery. In 2017, the cataract surgery rate ("**CSR**") per million of Europe, the United States, Japan and other developed countries has exceeded 10,000. In contrast, the CSR of China is only 2,205 in 2017, far below the data of developed countries. According to a calculation based on CSR, there are only 3.05 million cataract surgeries were performed in China in 2017. However, according to the statistics of the Chinese Ophthalmological Society, the incidence of cataract for those in the 60-89 age group is 80% and those in the age group over 90 exceeds 90% in China. There is still greater room to improve the cataract surgery operation rate, and the penetration of relevant ophthalmic products is still low to date.

On the other hand, given the aging population in China, public awareness of ophthalmology has increased, alongside the increase in demand for enhanced healthcare concept, payment ability, sustained investment in public and private medical resources. The above promoted the rapid growth of the PRC ophthalmology market year by year, displaying huge potentials for future developments. From an industrial chain perspective, the ophthalmology industry in the PRC generally faced problems such as low concentration, fierce homogenized competition among small

enterprises, lack of leading enterprises and brand competitiveness. From the perspective of long-term development, the market still needs the rise of leading enterprises which are capable of playing a leading role in the segmentation of the industry chain and improving core competitive advantage.

Since 2016, through a series of investments and acquisitions, the Group has completed the integration of resources in respect of raw materials, production and sales services of IOL products, and the layout of global industrial chain has taken shape accordingly. Integrated with its original ophthalmology business, the Group has established several high-valued ophthalmic product lines centered around IOL and OVD products, covering therapidic areas in cataract, glaucoma, dry eyes, fundus diseases and refractive therapy. Meanwhile, the Group will continue to expand into ophthalmic innovative medicine as well as diagnostic and therapeutic devices.

Among them, IOL is the core material for cataract surgery. Leveraging on its six domestic and foreign brands, the Group has covered a full range of products from PMMA hard IOL to multifocal foldable IOL. Based on the sales volume of the Group's IOL products and the number of national cataract surgery cases, the Group has captured about 30% of the IOL market in the PRC.

OVD products are necessary devices for cataract surgery and can be used for other ophthalmic operations. Among the main brands of OVD products in the PRC, the Group's products have prominent competitive advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the research reports of China Food and Drug Administration ("**CFDA**") Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the Group's OVD products was 45.9% in 2017, with a market share of over 40% for the past eleventh consecutive years, making the Group the largest OVD product manufacturer in the PRC.

During the Reporting Period, the Group continued to deepen the integration of industrial chain for ophthalmology business, focused on the resource rationalization and optimization of marketing channels, while leveraging on the support of the National Key Research and Development Programs under the "13th Five-Year Plan", creating synergy among the ophthalmology research and development technology platforms of the Group in the PRC, the United States and the United Kingdom to accelerate technology introduction and define innovation.

In addition, the Group continued focusing on investment, merger and acquisition opportunities in the global ophthalmology sector, and has been committed to facilitating the localization process of the ophthalmology industry in the PRC, promoting technological advancement and industrial upgrading of high-end ophthalmic products in the PRC, and becoming an important player and promoter of the rise of domestic forces in China's ophthalmology industry.

Medical aesthetics and wound care products

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

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

	January to June 2018		January to June 2017		Year-on-year increase or decrease
	RMB'000 (unaudited)	**%**	*RMB'000 (unaudited)*	*%*	*%*
HA Products	**147,807**	**19.5%**	107,111	17.7%	38.0%
rhEGF "Healin"	**29,261**	**3.8%**	20,721	3.4%	41.2%
	177,068	**23.3%**	127,832	21.1%	38.5%

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was approximately RMB177.07 million, representing an increase of approximately RMB49.24 million or approximately 38.5% from approximately RMB127.83 million for the corresponding period in 2017.

HA Products

HA dermal filler "Matrifill", a product launched in the market by the Group in 2014, is the first domestic mono-phase sodium hyaluronate gel for injection approved by the CFDA in the PRC. It can, through injection into dermis layer, fill facial defect and folded areas to achieve wrinkle removal and facial shaping. After its launch, the market share of "Matrifill" continued to increase and has become the leading domestic brand of HA products in the PRC.

The Group's self-developed second generation of HA dermal filler "Janlane", adopts low temperature double cross linking technology and is featured by its dynamic filling function. Since its launch in early 2017, based on its characteristics and efficacy, it has established the differentiated positioning from and supplementary development with the HA dermal filler "Matrifill" that focuses on shaping, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC.

Moreover, the third generation of HA Product ("**QST gel**") is expected to complete the clinical trial phase in the second half of this year. The Group is able to sustain its leading market position as the products in the medical aesthetic and wound care sector have formed combined effects of serialization and differentiation and can meet the increasingly segmental and diversified market needs.

Leveraging on its highly competitive research and development in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of sodium hyaluronate products, the Group fostered the market recognition of domestic HA "Matrifill" and "Janlane" products with professional attitudes and actions. In addition, the Group established an independent professional marketing team for "Matrifill" and "Janlane". With the integrated mode of direct sales to hospitals and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. The management of the Company believes that the traditional and one-sided marketing approach will no longer satisfy the increasingly segmented demands of medical aesthetic consumer groups. Therefore, 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 life-style of consumer groups so as to improve the adhesiveness and vitality of products.

During the Reporting Period, the Group's revenue from the sales of the HA Dermal Filler Products increased to approximately RMB147.81 million from approximately RMB107.11 million for the corresponding period in 2017, representing an increase of 38.0%.

China has become the third largest medical aesthetic market in the world. Given the improving economic conditions, people's needs for beauty is growing increasingly. Under the strong demand and the profit-driven market, the speed of upgrade of medical aesthetic products and related technology is accelerating. These new products and technology can satisfy consumer demand as well as attract more consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept of the new generation. During the Reporting Period, more HA products were launched to the domestic market. As of 30 June, 2018, 25 products have been approved by CFDA, and the market competition is becoming increasingly fierce. However, due to many inconsistent practices in the medical aesthetics industry, the government regulation is getting more stringent. As such, the industry will surely undergo a market selection process under the principle of "survival of the fittest". This poses a higher demand on enterprises in terms of strength in research and development, technology innovation, product quality control and marketing reforms.

Compared with other major medical aesthetic market, despite the gradually increasing market scale and the share of global market, China's penetration rate of medical aesthetic treatment is still at a low level. According to the data from the analysis report of Deloitte Finance Consulting's "*China Medical Aesthetic Market Analysis 2017*", in terms of the penetration rate of medical aesthetic treatments, which is based on medical aesthetic treatments for every 1,000 people, in the PRC, 1.7 medical aesthetic was received per 1,000 people, in contrast, the figure was 12.6 for the United States, 11.6 for Brazil and 8.9 for South Korea. There is great room for the improvement in the penetration rate of medical aesthetic treatment per capita in the PRC market, and it is expected that the potential for growth in the domestic medical aesthetic market is significant. The Group will continue to focus on the industrial layout in the field of medical aesthetic, aiming to integrate domestic industrial resources and introduce new technologies and products through various approaches, such as investment, mergers and acquisitions and cooperation. At the same time, the Group will continue to rely on continuous research and development as well as innovation, stable product quality, clear clinical efficacy and highly efficient market management, to build a leading brand in the medical aesthetic micro-plastic field in the PRC.

rhEGF "Healin"

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

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the Group strengthened its market position as the second largest manufacturer of rhEGF products in China in 2017 whereas the market share of rhEGF "Healin" products continued to increase from 16.4% in 2016 to 18.6% in 2017.

On 23 February 2017, the Ministry of Human Resources and Social Security of the PRC officially issued the 2017 NRDL, and upon experts' appraisal, rhEGF "Healin" was reclassified to Class B medical insurance products by lifting the limitation on the work-related injury insurance products on the 2009 NRDL. Advanced jointly by the favourable policies and the Group's efforts on marketing, the Group's revenue from the sales of "Healin" products increased rapidly to approximately RMB29.26 million during the Reporting Period from approximately RMB20.72 million for the corresponding period in 2017, representing an increase of 41.2%.

Orthopedics Products

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

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

	January to June 2018		January to June 2017		Year-on-year increase or decrease
	RMB'000 (unaudited)	**%**	*RMB'000 (unaudited)*	*%*	*%*
Sodium hyaluronate injection	**97,729**	**12.9%**	92,664	15.3%	5.5%
Medical chitosan "Chitogel"	**48,007**	**6.3%**	43,741	7.2%	9.8%
	145,736	**19.2%**	136,405	22.5%	6.8%

During the Reporting Period, the Group's revenue from the sales of orthopedics products increased approximately RMB9.33 million to approximately RMB145.74 million from approximately RMB136.41 million for the corresponding period in 2017, representing an increase of approximately 6.8%.

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., in 2017, we have maintained the largest market share for the fourth consecutive year in the intra-articular viscosupplement products market from 35.4% in 2016 to 36.2% in 2017.

Sodium Hyaluronate Injection

Since 2015, due to the implementation and advancing of the national policies in respect of adjusting drug purchasing models and the comprehensive enforcement of reform of medical insurance payment methods, the price of drug bidding has been significantly suppressed. In the process of sustained adjustment of the pharmaceutical market system, the Group made proper adjustment to the bidding and selling prices of its products in order to endure its market share, as a result of which, the overall revenue from the sales of the sodium hyaluronate injection products decreased for two consecutive years. During the Reporting Period, the selling price of sodium hyaluronate injection products turned to be stable, while a new specification of 2.5ml has been launched to the market in March 2018, revenue from

the sales of sodium hyaluronate injection product was approximately RMB97.73 million during the Reporting Period, representing an increase of approximately RMB5.07 million, or approximately 5.5%, from approximately RMB92.66 million for the corresponding period in 2017.

However, in terms of clinical application, the clinical application of sodium hyaluronate injection has been included in the Osteoarthritis Clinical Pathway (2017 version) issued by the National Health and Family Planning Commission, which established the important position of sodium hyaluronate in the treatment of osteoarthritis ("**OA**"). On 14 November 2017, as guided by the Sports Medicine Specialized Committee under the Chinese Association of Orthopedic Surgeons and the Editorial Department of the People's Medical Publishing House, many authoritative orthopedic experts and sports medicine experts in the PRC jointly formulated the 2017 revised version of the Expert Consensus on the Application of Sodium Hyaluronate for Orthopedic and Sports Medicine Related Diseases ("**2017 Consensus**"), the full text of which was published on the Chinese Journal of the Frontiers of Medical Science (Electronic Version). This was another important revision following the first publication of expert consensus in 2012 ("**2012 Consensus**"). By combining the application of 2012 Consensus in orthopedic and sports medicine areas in recent years, and the continual accumulation of evidence-based medical proof and clinical practices, 2017 Consensus provides academic references for the effective and regulated use of sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas.

As a product that has curative effect and has been extensively used in the world, the sodium hyaluronate injection product can mitigate long-term pains, protect and improve function of joints with mild and low incidence of adverse reactions. Moreover, featuring safety, efficacy, practicality and economical efficiency, sodium hyaluronate injection can reduce the dosage of oral analgesic so as to bring about fewer adverse reactions caused by drugs. Given that such product still has an extremely low penetration rate in the PRC market, the management of the Company believes that, with the increasing popularity and acceptance among patient groups in the PRC, it has a future sales growth potential that cannot be overlooked. 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. In addition, the Group upgraded its products and services to prominently improve injection experience, which established a foundation for the long-term and stable growth of the Group's sodium hyaluronate injection product in the future.

Medical Chitosan "Chitogel"

The Group's revenue from the sales of medical chitosan "Chitogel" products was approximately RMB48.01 million for the Reporting Period, representing an increase of approximately RMB4.27 million or 9.8% from approximately RMB43.74 million for the corresponding period in 2017.

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

Since its launch to the market, medical chitosan "Chitogel" has been successfully expanding into more than 20 provinces and cities across the country, and gradually entering some major hospitals in key cities of China. Currently, however, the medical chitosan "Chitogel" product is still in the process of market preparation for being added into the local health insurance and cost catalogue gradually. The management of the Company believes that, with the successive completion of inclusion of "Chitogel" product into the health insurance and cost catalogue of various provinces and cities, and through insisting upon professional promotion and market expansion improvement for medical chitosan "Chitogel" product, the stable quality and significant efficacy of such product will be recognized by an increasing number of doctors and patients, thus presenting significant development opportunity for medical chitosan "Chitogel" product in the future.

Anti-Adhesion and Hemostasis Products

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

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

	January to June 2018		January to June 2017		Year-on-year increase or decrease
	RMB'000 (unaudited)	**%**	*RMB'000 (unaudited)*	*%*	*%*
Medical chitosan	**53,039**	**7.0%**	69,364	11.5%	-23.5%
Medical sodium hyaluronate gel	**39,800**	**5.2%**	34,628	5.7%	14.9%
Medical collagen sponge	**8,738**	**1.1%**	9,490	1.6%	-7.9%
	101,577	**13.3%**	113,482	18.8%	-10.5%

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB101.58 million, representing a decrease of approximately RMB11.90 million or approximately 10.5% as compared to approximately RMB113.48 million for the corresponding period in 2017.

Anti-Adhesion Products

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the anti-adhesion products of our Group maintained at 49.0% in 2017, making our Group the largest anti-adhesion product manufacturer in the PRC for the past eleven consecutive years.

In November 2017, nearly 20 authoritative experts jointly formulated the Chinese Expert Consensus on Prevention of Abdominal Adhesion after Abdominal Surgery ("**Expert Consensus**"), the full text of which was published on the Chinese Journal of General Surgery. The Expert Consensus points out that post-operative tissue or visceral organ adhesion is the most common post-operative complication. Adverse reactions caused by abdominal adhesion will heavily burden the patients, doctors and the society. A large number of evidence-based medical proof shows that anti-adhesion materials can function as a protective barrier to avoid any adhesion, and can prevent adverse reactions related to adhesion to avoid medical risk associated with operation conducted right there, so as to reduce overall medical expenses. From 2015 to date,

certain expert consensus associated with the anti-adhesion products marks the clinical medical concern on anti-adhesion issue. The management of the Company believes that with the promotion of the expert consensus, anti-adhesion products will be increasingly valued by both doctors and patients, hence increasing clinical usage radically and further promoting the continuous growth of the sales of anti-adhesion and hemostasis products of the Group.

Collagen Sponge "奇特邦"

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

However, due to the impact brought by the sustained controls over fees and quantity carried out by public hospitals across the country starting in the second half of 2017, the use of high-valued materials including anti-adhesion materials and new hemostasis materials in many regions is limited or even suspended. The Group's whole series of surgical products were restricted in hospital use, as a result of which, the Group's revenue from the sales of surgical products during the Reporting Period failed to grow as expected, and in particular, medical chitosan products with relatively high unit prices are severely affected. The management of the Company believes that, the Group is able to continue to maintain its market share of surgical products by making more efforts in marketing and promotion.

Research and Development ("R&D")

The Group continued to put more effort on R&D. During the Reporting Period, the total R&D expenses amounted to approximately RMB39.07 million, representing an increase of 21.6% as compared to the corresponding period in 2017.

The Group has a national-level enterprise technology center, and has established an integrated R&D system in China, the United States and the United Kingdom, initially forming an international R&D layout.

The Group owns three R&D bases which are named as Shanghai municipal R&D institutions, one national postdoctoral R&D workstation and one Shanghai municipal academician expert workstation. As at 30 June 2018, the Group's in-house R&D team comprised of 213 staff members, of which 158 were bachelor degree holders or above, 14 were doctorate degree holders and 57 were master's degree holders. All core products of the Group were primarily developed by its in-house R&D team with the support of various colleges and universities, research institutes and sizable "Grade III" hospitals across China.

As at 30 June 2018, the Group owns 60 product licenses and 40 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 2 products; 10 products are undergoing different stages of clinical trials or type inspection; and 28 products are undergoing the stages of preclinical study or technology study.

As at the date of this announcement, the Company passed the appraisal and awarded the title of Intellectual Property Right Demonstration Enterprise of China in 2018.

In the short to medium term, the Group will focus on the research and development of the third generation of HA dermal filler "QST gel", fibrin sealant products, second generation of thermal-sensitive chitosan products, new IOL products and certain programs in ophthalmic treatment areas covering optical, dry eyes and glaucoma, and will also expand specification and indication of the Group's existing products in the market.

In the long term, the Group will insist on expanding its R&D capabilities to further develop the new IOL and high-end ophthalmic implant materials R&D platform, which is elected as one of the National Key Research and Development Programs under the "13th Five-Year Plan". The medical chitosan technology platform, which is elected and supported by the National High-Tech R&D Program (863 Program) and the major project of National Science and Technology under the "12th Five-Year Plan", as well as the electrospinning technology platform (elected as the major project of National Science and Technology) will further expand the Group's product offerings in the product sectors of sustained-release preparations, new compound anti-adhesion and hemostasis membrane products.

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

Sales and Product Marketing

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

As at 30 June 2018, the Group's distribution network comprised over 2,000 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions in China. In addition to the distribution network, the Group also had four professional teams, namely, specific markets, medical, commercial and sales teams who are responsible for formulating standardized marketing and sales policies, product trainings, academic promotions, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Group's products and keeping abreast of any changes to market needs. The four teams work independently yet complementing each other, centralizing the beneficial resources of the Group to assist the Group's products to expand their market shares rapidly and effectively. The management of the Company believes that the Group's broad coverage of hospitals and other medical institutions and its capabilities of identifying and managing distributors are serving as the major competitive strengths. Accordingly, the Group is able to effectively promote its products to the target market by means of its sales network with broad coverage. As a result, this lays a solid foundation for continuously enhancing the reputation of the Group's products and brand, expanding the market share and increasing the sales of the products.

During the Reporting Period, the Group derived revenue of approximately RMB403.05 million (the corresponding period in 2017: approximately RMB430.04 million) and approximately RMB358.02 million (the corresponding period in 2017: approximately RMB175.08 million) from the sales of its products through distributors and from direct sales, respectively, which accounted for 53.0% and 47.0% (the corresponding period in 2017: 71.1% and 28.9%) of the Group's sales revenue.

OPERATING PROSPECTS IN THE SECOND HALF OF 2018

Recently, the continual growth of the pharmaceutical and healthcare industry in China is driven by a combination of favourable socioeconomic factors. However, following the announcement and implementation of various policies, the reform of pharmaceutical and healthcare system in China has been further deepened. A series of policies which have a profound influence on the industry, such as two-vote system and the cross-regional joint procurement, are propelling industry integration, transformation of operating models and price competition within the industry.

Meanwhile, along with the efforts in advancing the notion of building a healthy China, the domestic industrialization progress of medical and pharmaceutical industry and reforms of weeding out obsolete capacities, enterprises benefiting from the advantage of scale and in possession of advanced technologies, well established brands, marketing competitive edge and industrial integration capabilities will experience invaluable development opportunities.

In the second half of 2018, the Group will continue to put its own funds to effective use; proactively extend the business scale to the deeper and broader market of ophthalmology on the basis of the whole existing industry chain layout centered on IOL products; explore the fast-growing therapeutic fields of medical aesthetic, orthopedics and surgery; actively identify suitable target companies and to achieve expansionary business growth through acquisitions, capital increase or equity participation.

In the second half of 2018, the Group will also continue to focus on the organic growth of the existing segments by the following means:

- deepening the integration of resources of acquired companies in respect of R&D, production, sales and service for the purpose of maximizing synergies, improving operating efficiency, developing innovative technologies, and expanding market space, so that the acquired companies can be consolidated into the Group's existing management system rapidly and the Group can enhance its core competitiveness continuously;

- enhancing the manufacturing capacity of the whole series of products and upgrading the manufacturing facilities of merged companies by improving the quality of products and production efficiency through more intelligent and numerical manufacturing facilities and by actively expanding manufacturing place and establishing new production line;

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

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

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

Ophthalmology Products

The Group focuses on investment and industrial integration of the ophthalmic high-valued materials, pharmaceuticals and advanced diagnosing equipment used in ophthalmology surgery in China. In the second half of 2018, leveraging on its management team's brilliant track record, resource advantages and rich experience in integrating strategic assets, the Group will seek to streamline and integrate internal and external products, technology, talents and other resources, aiming to promote the application of new materials and leverage on the advantages of overseas technological platform. The Group is committed to develop domestic IOL products and promote the domestic industrialization of overseas matured IOL production technology, aiming to enhance the productivity, quality and market competitiveness of domestic enterprises, which in turn achieves replacement of imported products with domestic products in domestic market and expansion to international market, to explore the potential ophthalmology market with global customers. In addition, the Group will explore the expansion of ophthalmic treatments in glaucoma, fundus diseases and dry eyes and build a foundation for its future business growth with efficient industry integration.

Medical Aesthetics and Wound Care Products

In the second half of 2018, the Group will advance, with all efforts, the clinical trials and registration of the third generation of HA dermal filler QST gel product, and promote the marketing initiatives of "Matrifill" and "Janlane" HA products steadily with a view to increasing the market share and sales revenue. Meanwhile, leveraging on its highly competitive product and R&D strength in medical biological materials, the Group is committed to the R&D and sale of high-end medical cosmetics to meet the growing demand of medical aesthetic market of China, expand product lines, meet increasingly segmented and diversified market demands, and build a leading Chinese medical aesthetic brand.

Orthopedics Products

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer cultivation cycle, possesses the advantages of high clinical recognition and relatively broad application. In the second half of 2018, the Group will, as guided by the 2012 Consensus and 2017 Consensus, continue to advance marketing and provide academic support for the sufficient and regulated use of sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas. Meanwhile, the Group is able to gain competitive edges in bidding and tendering by its products with whole series of specifications, which is helpful to stabilize the extensive coverage of the Group's sodium hyaluronate injection product for intraarticular viscosupplement products market and benefit more patients.

On the other hand, "Chitogel", the Group's exclusively-owned medical chitosan product used for intra-articular viscosupplement, is the only Class III medical device product with the registration certificate in China. Such product has the significant advantages of minimized injection dosage and long-lasting therapeutic effect. For "Chitogel" product, the Group has designated (i) differentiated clinical applications; (ii) target market and price positioning, (iii) actively enhanced their marketing promotion and sales, and (iv) strived to penetrate the market in various regions, in a hope to secure the continuous growth in sales of such product and the overall profitability of orthopedics products as the inclusion of "Chitogel" product into the health insurance and cost catalogue of various provinces and cities is successively completed.

While implementing the above strategies effectively, the Group will also actively explore and develop new products, to achieve the synergic development of the orthopedics products, thereby securing the brand appeal and leading position of the Group in the market of intra-articular viscosupplement products in China.

Anti-Adhesion and Hemostasis Products

In respect of the current market landscape of anti-adhesion products, there are various types of products in the Chinese market and market concentration is relatively high. The top three manufacturers, representing nearly 80% of the market share in aggregate. Recently, more challenges are posed during product renewal and new product registrations as the government continued to raise demands on the quality of such products. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. In addition, due to the impact brought by the sustained controls over

fees and quantity carried out by public hospitals across the country starting in the second half of 2017, the use of high-valued materials including anti-adhesion materials and new hemostasis materials in many regions is limited or even suspended. The Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. The Group is able to provide a series of products with the most comprehensive and integrated specifications. The detailed designs can render more user-friendly products and further cater for clinical needs, thus cultivating a brand preference for medical practitioners. In the second half of 2018, the Group will enhance the market recognition and acceptance of the products among clinical surgery by putting more efforts in professional promotion, with a view to maintaining and increasing its market share.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB761.07 million (the corresponding period in 2017: approximately RMB605.12 million), representing an increase of approximately RMB155.95 million, or approximately 25.8%, as compared to the corresponding period in 2017, which was primarily attributable to the revenue contributed by the ophthalmic high-value materials business acquired by the Group and the sustained increase of sales of medical aesthetics products of the Group. Following the growth in revenue, the sales cost of the Group amounted to approximately RMB158.33 million, representing an increase of 24.4% as compared to the corresponding period in 2017.

During the Reporting Period, the overall gross profit margin of the Group was 79.2%, basically in line with the corresponding period in 2017.

Selling and Distribution Expenses

The selling and distribution expenses of the Group was approximately RMB253.98 million for the Reporting Period, representing an increase of approximately RMB40.64 million or approximately 19.0% from approximately RMB213.34 million for the corresponding period in 2017. The proportion of selling and distribution expenses to the Group's total revenue was 33.4% for the Reporting Period, representing a slight decrease from 35.3% for the corresponding period in 2017. The total amount of the selling and distribution expenses of the Group during the Reporting Period increased along with the growth of overall business size, while the proportion of selling and distribution expenses to the total revenue decreased, which was mainly due to the fact that the financial results of the subsidiary of the Group

in the UK, Contamac, have been included into the consolidated financial statements of the Group since June 2017, and such subsidiary's proportion of selling and distribution expenses to its total revenue is slightly lower than that of the original business of the Group.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group was approximately RMB108.20 million, representing an increase of approximately RMB42.44 million or approximately 64.5% from approximately RMB65.76 million for the corresponding period in 2017. The general increase in the administrative expenses of the Group during the Reporting Period was primarily due to RMB27.56 million arising from the inclusion of the financial results of the subsidiary of the Group in the UK, Contamac, into the consolidated financial statements of the Group. Meanwhile, the increase in domestic and overseas travelling expenses with respect to the business acquisitions, the increasing number of administrative staff as well as more performance awards distributed by the Group also contributed to increased administrative expenses.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group was approximately RMB39.07 million, representing an increase of approximately RMB6.95 million or approximately 21.6% from approximately RMB32.12 million for the corresponding period in 2017. The growth of R&D expenses was primarily due to the continuous increase of R&D investments made by the Group along with more projects in the pipeline and more R&D team members. During the Reporting Period, the proportion of R&D expenses accounted for 5.1% (the corresponding period in 2017: 5.3%) of the total revenue of the Group. With the Group's rich product pipeline under development and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for its sustainable growth in the future.

Income Tax Expense

During the Reporting Period, the income tax expense of the Group increased from approximately RMB35.41 million for the corresponding period in 2017 to approximately RMB37.30 million for the Reporting Period, representing an increase of approximately RMB1.89 million.

The effective rate of income tax for the Group slightly decreased from 15.9% for the corresponding period in 2017 to 14.0% for the Reporting Period, primarily because the loss-making subsidiaries of the Group gradually started to make profits which offset the accumulated losses in previous years, and the lowering of statutory tax rate of certain subsidiaries.

Results of the Reporting Period

Due to the above reasons, during the Reporting Period, the Group's profit attributable to ordinary equity holders of the Company amounted to approximately RMB211.42 million (the corresponding period in 2017: approximately RMB175.78 million), representing an increase of approximately 20.3% as compared to the corresponding period in 2017. The amortisation and depreciation charge attributable to ordinary equity holders of the Company on intangible assets and fixed assets from business acquisition of the Group (after tax) was approximately RMB7.89 million (the corresponding period in 2017: approximately RMB5.58 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB219.31 million (the corresponding period in 2017: approximately RMB181.36 million), representing an increase of approximately 20.9% as compared to the corresponding period in 2017.

During the Reporting Period, the basic earnings per share were RMB1.32 (the corresponding period in 2017: RMB1.10).

The results of the Reporting Period realized a steady growth, primarily attributable to continued deepening of internal and external resource integration and the notable effects of product structure optimization and measures of cost reduction and efficiency improvement.

Liquidity and Capital Resources

As at 30 June 2018, the total current assets of the Group was approximately RMB1,989.34 million, representing a decrease of approximately RMB396.63 million as compared to the amount as at 31 December 2017, primarily due to the increase of investment, and the total current liabilities was approximately RMB548.24 million, representing a decrease of approximately RMB70.49 million as compared to the amount as at 31 December 2017. As at 30 June 2018, the Group's current assets to liabilities ratio was approximately 3.63 (31 December 2017: 4.99).

Employees and Remuneration Policy

The Group had 1,165 employees as of 30 June 2018. The breakdown of our total number of employees by function was as follows:

Production	427
Research and Development	213
Sales and Marketing	339
Supply	14
Administration	172
Total	1,165

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provided various thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB123.89 million. The management of the Company will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the internal and external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the 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 2018, the bank borrowings of approximately GBP2.11 million (equivalent to approximately RMB18.30 million) of Contamac Holdings, a subsidiary of the Group, were secured by the pledge of certain of its property, plant and equipment with the carrying amount of approximately GBP1.45 million (equivalent to approximately RMB12.56 million).

As at 31 December 2017, the bank borrowings of approximately GBP2.16 million (equivalent to approximately RMB18.98 million) of Contamac Holdings, a subsidiary of the Group, were secured by the pledge of certain of its property, plant and equipment with the carrying amount of approximately GBP1.45 million (equivalent to approximately RMB12.74 million).

As at 30 June 2018, the notes payable of approximately RMB17.00 million of the Company and its subsidiary Shanghai Qisheng were secured by the pledge of bank deposit with the carrying amount of approximately RMB17.00 million (31 December 2017: nil).

Gearing

As at 30 June 2018, the total liabilities of the Group amounted to approximately RMB681.18 million and the gearing ratio (total liabilities/total assets) x 100%) was 16.1%, representing a slight decrease as compared to 17.4% as at 31 December 2017, primarily due to the Group's final payment for part of the business acquisitions.

Bank Borrowings

As at 30 June 2018, Shenzhen NIMO and Contamac Holdings, both subsidiaries of the Group, had interest-bearing bank borrowings of approximately RMB20.70 million and GBP2.11 million (totaling approximately RMB18.30 million) respectively.

As at 31 December 2017, Shenzhen NIMO and Contamac Holdings, both subsidiaries of the Group, had interest-bearing bank borrowings of approximately RMB18.50 million and GBP2.16 million (totaling approximately RMB18.98 million) respectively.

Future Plans for Material Investments and Capital Assets

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

Significant Investment, Acquisition and Disposal of Subsidiaries

The Group has no significant investment, acquisition or disposal of subsidiaries during the Reporting Period.

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 2018, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities.

Material Events after the Reporting Period

As at 30 June 2018, there were no significant events after the Reporting Period.

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules during the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code.

Compliance with the Model Code

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

Audit Committee

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

Publication of the Interim Results and Interim Report

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

The Company's 2018 Interim Report containing all information required under the Listing Rules will be dispatched to the shareholders and will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.3healthcare.com) in due course.

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

Shanghai, the PRC, 24 August 2018

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

* *For identification purpose only*