Shanghai Haohai Biological Technology Co., Ltd.*
上海昊海生物科技股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 6826)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

- During the Reporting Period, the Group recorded revenue of approximately RMB1,324.43 million, representing a decrease of approximately RMB271.07 million, or approximately 16.99%, as compared to that in 2019.

- During the Reporting Period, the Group continued to increase investment in R&D, focusing on expanding the R&D pipelines for innovative products of ophthalmology and medical aesthetics. The R&D expenses during the Reporting Period increased from approximately RMB116.08 million in 2019 to approximately RMB126.47 million, representing an increase of approximately RMB10.39 million, or approximately 8.95%. The proportion of R&D expenses in revenue increased from 7.28% in 2019 to 9.55%.

- During the Reporting Period, the Group's net profit attributable to shareholders of the listed company and the net profit after deducting non-recurring profit or loss attributable to shareholders of the listed company were approximately RMB230.07 million and RMB206.43 million respectively, representing decreases of approximately 37.95% and 42.25% respectively, as compared to those in 2019, which were mainly due to the fact that the operating revenue in the first half of the year 2020 was greatly affected by the Pandemic. By the second half of the year 2020, however, the Group's net profit attributable to shareholders of the listed company has resumed a year-on-year growth.

- The Board has proposed to declare the final dividend of RMB0.50 (inclusive of tax) per share for the year ended 31 December 2020.

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
REVENUE	*4*	**1,324,427**	1,595,498
Cost of sales		**(334,004)**	(363,999)
Gross profit		**990,423**	1,231,499
Other income and gains, net	*4*	**180,737**	129,498
Selling and distribution expenses		**(555,727)**	(544,128)
Administrative expenses		**(216,759)**	(268,985)
Impairment losses on financial assets		**1,369**	923
Research and development costs		**(126,474)**	(116,076)
Other expenses		**(11,507)**	(21,756)
Finance costs		**(4,905)**	(4,538)
Share of profits and losses of:			
A joint venture		**–**	27,550
An associate		**(131)**	362
PROFIT BEFORE TAX	*5*	**257,026**	434,349
Income tax expense	*6*	**(30,686)**	(57,972)
PROFIT FOR THE YEAR		**226,340**	376,377
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(13,962)**	22,019
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(13,962)**	22,019

	Note	**2020**	2019
		RMB'000	*RMB'000*
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(9,071)**	8,189
Income tax effect		**841**	(1,365)
		(8,230)	6,824
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(8,230)**	6,824
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(22,192)**	28,843
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**204,148**	405,220
Profit attributable to:			
Owners of the parent		**230,072**	370,779
Non-controlling interests		**(3,732)**	5,598
		226,340	376,377
Total comprehensive income attributable to:			
Owners of the parent		**210,969**	394,023
Non-controlling interests		**(6,821)**	11,197
		204,148	405,220
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the year	*8*	**1.30**	2.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**978,017**	895,071
Right-of-use assets		**202,378**	216,714
Other intangible assets		**404,332**	430,609
Goodwill		**385,490**	333,493
Investment in a joint venture	*9*	**45,864**	–
Investment in an associate		**4,355**	5,329
Equity investments designated at fair value through other comprehensive income	*10*	**405,279**	292,630
Deferred tax assets		**26,186**	18,393
Other non-current assets		**36,845**	14,257
Total non-current assets		**2,488,746**	2,206,496
CURRENT ASSETS			
Inventories		**255,127**	239,988
Trade and bills receivables	*11*	**340,747**	389,999
Prepayments, other receivables and other assets		**55,374**	92,880
Financial assets at fair value through profit or loss		**15,145**	–
Pledged deposits		**50,963**	–
Cash and bank balances		**3,092,603**	3,222,508
Total current assets		**3,809,959**	3,945,375
CURRENT LIABILITIES			
Trade payables	*12*	**28,032**	36,786
Other payables and accruals		**296,942**	263,319
Interest-bearing bank and other borrowings	*13*	**87,708**	25,710
Tax payable		**21,079**	34,152
Total current liabilities		**433,761**	359,967
NET CURRENT ASSETS		**3,376,198**	3,585,408
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,864,944**	5,791,904

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**20,373**	24,002
Other payables and accruals		**4,500**	–
Deferred tax liabilities		**102,282**	110,950
Deferred income		**3,544**	3,599
Total non-current liabilities		**130,699**	138,551
Net assets		**5,734,245**	5,653,353
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	*14*	**177,207**	177,845
Treasury shares	*14*	**(28,263)**	–
Reserves		**5,341,807**	5,276,935
		5,490,751	5,454,780
Non-controlling interests		**243,494**	198,573
Total equity		**5,734,245**	5,653,353

1. CORPORATE AND GROUP INFORMATION

The Company was established as a limited liability company on 24 January 2007 in the People's Republic of China (the "**PRC**"), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 ("**A Share Offering**"). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the "**SSE**") since 30 October 2019. 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).

During the year ended 31 December 2020, the Company repurchased 638,700 H Shares as treasury shares which were cancelled on 3 July 2020. Another 584,500 H Shares were repurchased, and were cancelled on 19 March 2021.

During the year ended 31 December 2020, 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**").

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("**Shanghai Qisheng**")	PRC/Mainland China 27 May 1992	RMB160,000,000	100	–	Manufacture and sale of biological reagents, biologicals and biological materials
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC/Mainland China 3 September 2001	RMB150,000,000	100	–	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
Haohai Healthcare Holdings Co., Limited. ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD153,000,000	100	–	Investment and trading business

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd.* (“**Henan Universe**”)	PRC/Mainland China 23 April 1991	RMB9,923,200	–	100	Manufacture and sale of intraocular lens and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.* (“**NIMO**”)	PRC/Mainland China 27 April 2006	RMB11,000,000	–	60	Sale of ophthalmology products
Contamac Limited	U.K. 10 May 1991	GBP1,000	–	70	Manufacture and sale of contact lens and intraocular lens material, machines and accessories

* English translations of names for identification purposes only

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

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year ended 31 December 2020 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's building have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of approximately RMB14,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2020. 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 when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments must be applied prospectively.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,167,941**	1,399,528
USA	**62,525**	78,081
U.K.	**10,245**	10,333
Other regions and countries	**83,716**	107,556
	1,324,427	1,595,498

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

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,628,285**	1,495,695
USA	**87,292**	108,610
U.K.	**328,621**	276,674
Other regions and countries	**13,083**	14,494
	2,057,281	1,895,473

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,324,427**	1,595,498

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Type of goods sold		
Ophthalmology products	**562,660**	709,768
Orthopedic products	**329,910**	357,932
Medical aesthetics and wound care products	**240,705**	299,140
Anti-adhesion and hemostasis products	**171,436**	188,877
Other products	**19,716**	39,781
Total	**1,324,427**	1,595,498
Timing of revenue recognition		
Goods transferred at a point in time	**1,324,427**	1,595,498

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 periods:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**13,603**	22,418

(b) Performance obligation

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

Sale of products

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

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**108,459**	66,571
Government grants *(note)*	**33,882**	46,325
Dividend income from equity investments designated at fair value through other comprehensive income	**36,107**	9,756
Exchange gains	**–**	2,150
Gain on disposal of items of property, plant and equipment	**–**	248
Others	**2,289**	4,448
	180,737	129,498

Note:

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

5. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**334,004**	363,999
Depreciation of property, plant and equipment	**80,373**	68,499
Depreciation of right-of-use assets	**17,643**	17,201
Amortisation of other intangible assets	**34,855**	29,727
Auditor's remuneration	**2,480**	1,250
Research and development costs	**126,474**	116,076
Lease payments not included in the measurement of lease liabilities	**2,663**	3,575
Employee benefit expense (excluding directors' remuneration)		
– Wages and salaries	**284,736**	298,815
– Pension scheme contributions	**9,780**	26,872
Foreign exchange differences, net	**3,114**	(2,150)
Impairment losses on financial assets, net:		
Impairment of trade receivables, net	**1,025**	(794)
Impairment of financial assets included in prepayments, other receivables and other assets, net	**(2,394)**	(129)
Write-down of inventories to net realisable value	**3,970**	558
Bank interest income	**(108,459)**	(66,571)
Net loss on disposal of a joint venture classified as held for sale	**–**	9,531
Investment loss on a subsidiary	**–**	9,982
Net loss/(gain) on disposal and obsolescence of items of property, plant and equipment	**1,102**	(248)

6. INCOME TAX

The Company and its subsidiaries, except for 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 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, Shanghai Jianhua Fine Biological Products Co., Ltd. ("**Shanghai Jianhua**") and 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. In 2020, the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe renewed the HNTE Status for the next three years from 2020 to 2022 successfully. Therefore, the preferential income tax rate of 15% was applied during the years from 2020 to 2022 for the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe.

NIMO was also accredited with the HNTE Status, effective for the three years from 2018 to 2020 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2018 to 2020.

Qingdao Huayuan Fine Biological Product Co., Ltd. ("**Qingdao Huayuan**") was also accredited with the HNTE Status in 2020, effective for the three years from 2020 to 2022 by the relevant authorities. Therefore, the preferential income tax rate of 15% is applied during the years from 2020 to 2022 for Qingdao Huayuan.

Hangzhou Aijinglun Technology Co., Ltd., ("**Hangzhou Aijinglun**"), which the Group acquired during the year, 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 2020 for Hangzhou Aijinglun.

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

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 of assessable profits of this subsidiary are 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% on the estimated assessable profits arising in the USA during the year.

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

The profits tax for subsidiaries in France has been provided at the rate of 28% on the estimated assessable profits arising in France during the year.

	2020	2019
	RMB'000	*RMB'000*
Current		
Charge for the year	**46,267**	81,335
Over provision in prior years	**(155)**	(54)
Deferred	**(15,426)**	(23,309)
Total tax charge for the year	**30,686**	57,972

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed 2020 final dividend – RMB0.50 per ordinary share	**88,311**	–
Proposed 2019 final dividend – RMB0.70 per ordinary share	**–**	124,492
	88,311	124,492

On 26 March 2021, the Directors proposed to declare the final dividend of RMB0.50 (inclusive of tax) per ordinary share, amounting to RMB88,311,050 for the year ended 31 December 2020.

On 26 March 2020, the Directors proposed to declare the final dividend of RMB0.70 (inclusive of tax) per ordinary share, amounting to RMB124,491,710 for the year ended 31 December 2019.

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 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 177,232,008 (2019: 163,011,967) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**230,072**	370,779

	Numbers of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculations	**177,232,008**	163,011,967

9. INVESTMENT IN A JOINT VENTURE

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**45,864**	–

As of 31 December 2020, the Group invested a total of RMB45,864,000 in Changxing Tongrui Investment Partnership Enterprise (Limited Partnership) ("**Changxing Tongrui**") of which the Group has joint control with two third parties.

As of 31 December 2018, the Group invested a total of RMB350,000,000 in Changxing Tongrui of which the Group has joint control with a third party. Therefore, the Group recorded its investment in Changxing Tongrui as an investment in a joint venture. As of 31 December 2019, as the target investment project held by Changxing Tongrui was completed, pursuant to the terms of the Changxing Tongrui Limited Partnership Agreement dated 6 November 2017, the Group received all cash distribution from Changxing Tongrui amounting to RMB377,550,000, which consisted of net investment income in the amount of RMB27,550,000 and a refund of the corresponding original principal investment amount contributed by the Group at RMB350,000,000. There was no remaining investment portfolio as of 31 December 2019. Accordingly, the share of Changxing Tongrui's profit of RMB27,550,000 was recognised in profit or loss during the year ended 31 December 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	**116,841**	127,353
Raily Aesthetic Medicine International Holdings Ltd.	**15,780**	–
Aesthetic Medical International Holdings Group Limited	**8,597**	11,197
	141,218	138,550
Unlisted equity investments		
Shenwu No.I Investment Product	**189,662**	98,056
Recros Medica	**52,199**	56,024
Shanghai Semecell Technology Co., Ltd.	**9,600**	–
Shanghai Lunsheng Information Technology Co., Ltd.	**7,600**	–
Shanghai Resthetic Biotechnology Co., Ltd.	**5,000**	–
	264,061	154,080
	405,279	292,630

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

In September 2020, the Group disposal a portion of its investment in Shenwu No.I Investment Product. The fair value on the date of sale was approximately RMB100,001,000 and the accumulated loss recognised in other comprehensive income of approximately RMB3,723,000 was transferred to retained earnings.

During November and December 2020, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of sale was approximately RMB17,475,000 and the accumulated gain recognised in other comprehensive income of approximately RMB8,228,000 was transferred to retained earnings.

During the year ended 31 December 2020, the Group received dividends in the amounts of RMB5,286,000 (2019: RMB4,688,000) and RMB30,821,000 (2019: RMB5,068,000) from Union Medical Healthcare Limited and Shenwu No.I Investment Product, respectively.

11. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Bills receivable	**7,219**	8,008
Trade receivables	**366,937**	414,704
Impairment	**(33,409)**	(32,713)
	340,747	389,999

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to twelve months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**328,156**	378,334
1 to 2 years	**10,979**	10,118
2 to 3 years	**1,612**	1,547
	340,747	389,999

12. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**28,032**	36,786

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**27,465**	30,341
3 months to 1 year	**279**	6,377
Over 1 year	**288**	68
	28,032	36,786

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			**31 December 2019**		
	Effective interest rate (%)	**Maturity**	**RMB'000**	**Effective interest rate (%)**	**Maturity**	**RMB'000**
Current						
Lease liabilities	4.24-4.75	2021	8,866	4.24	2020	11,073
Bank loans – secured *(a)*	3.05-5.19	2021	78,691	4.01	2020	5,302
Current portion of long term other loans – unsecured *(c)*	–	2021	65	–	2020	113
Current portion of long term bank loans – secured *(b)*	0.89	2021	86	0.89-2.92	2020	9,222
			87,708			25,710
Non-current						
Lease liabilities	4.24-4.75	2022-2028	19,791	4.24	2021-2028	23,349
Bank loans – secured *(b)*	0.89	2022	62	0.89	2022	144
Other loans – unsecured *(c)*	–	2022-2023	520	–	2023	509
			20,373			24,002
			108,081			49,712

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**78,777**	14,524
In the second year	**62**	79
In the third to fifth years, inclusive	**–**	65
	78,839	14,668
Other borrowings repayable:		
Within one year or on demand	**8,931**	11,186
In the second year	**6,719**	7,908
In the third to fifth years, inclusive	**6,358**	12,063
Beyond five year	**7,234**	3,887
	29,242	35,044
	108,081	49,712

Notes:

(a) The apartments of the non-controlling shareholders of NIMO were pledged for bank loans of RMB28,691,000 (31 December 2019: RMB5,302,000), which were also guaranteed by these shareholders. In addition, bank loans of the Company of RMB50,000,000 (31 December 2019: nil) were secured by Shanghai Qisheng's bank deposits of RMB50,000,000.

(b) A bank loan of ODC Industries ("**ODC**") at the interest rate of 0.89% was secured by mortgages over a vehicle of ODC with a carrying value of approximately RMB201,000.

(c) The unsecured loan represents an interest-free government loan obtained by ODC.

14. SHARE CAPITAL

	2020	2019
	RMB'000	*RMB'000*
Issued and fully paid:		
177,206,600 (2019: 177,845,300) ordinary shares of RMB1.00 each	**177,207**	177,845

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

	Number of shares in issue	Share capital *RMB'000*
At 1 January 2019	160,045,300	160,045
A Shares issue *(note 1)*	17,800,000	17,800
At 31 December 2019 and 1 January 2020	177,845,300	177,845
Cancellation of repurchased H Shares *(note 2)*	(638,700)	(638)
At 31 December 2020	177,206,600	177,207
At 31 December 2019	177,845,300	177,845

Note 1:

As approved by the document "Approval in Relation to Registration of the Initial Public Offering of Shanghai Haohai Biological Technology Co., Ltd" (Zheng Jian Xuke [2019] No.1793) granted by China Securities Regulatory Commission, the Company was permitted to issue 17,800,000 ordinary shares (A Share) in RMB to the public at an issue price of RMB89.23 per share. The total amount raised amounted to RMB1,588,294,000. After deducting the issuing expenses, the proceeds amounted to approximately RMB1,529,269,000. The raised funds have been fully received, and have been verified by Ernst & Young Hua Ming LLP (Special General Partnership), which has issued the Capital Verification report (An Yong Hua Ming (2019) Yan Zi No. 60798948_B04). The proceeds are held in dedicated accounts of the Company.17,800,000 A Shares of the Company were listed and commenced trading on the Sci-tech Innovation Board of the Shanghai Stock Exchange on 30 October 2019.

Note 2:

During the year ended 31 December 2020, the Company repurchased 1,223,200 H Shares as treasury shares, which accounted for approximately 0.6878% of the Company's total share capital, at a total consideration of approximately HK$55,957,000 (equivalent to approximately RMB50,953,000). 638,700 H Shares were cancelled on 3 July 2020. The remaining 584,500 H Shares, at a total consideration of approximately HK$31,236,000 (equivalent to approximately RMB28,263,000) were accounted as treasury shares as at 31 December 2020 and were cancelled on 19 March 2021.

15. BUSINESS COMBINATION

On 24 April 2020, the Group acquired a 55% equity interest in Hangzhou Aijinglun from third parties. Hangzhou Aijinglun is engaged in the development and manufacture of PRL products. 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 RMB74,000,000, with RMB55,000,000 paid on or near the acquisition date (RMB45,000,000 was paid to the original shareholders of Hangzhou Aijinglun, and the RMB10,000,000 was paid to Hangzhou Aijinglun as capital injection), another RMB10,000,000 has been paid to Hangzhou Aijinglun as capital injection by the end of 2020, and the remaining RMB9,000,000 to be paid by the Group (RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, and RMB4,500,000 will be paid to Hangzhou Aijinglun as shareholder's contribution), provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition.

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

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	2,059
Other intangible assets	13,650
Cash and bank balances	12,462
Trade receivables	47
Inventories	310
Other non-current assets	4,500
Prepayments, other receivables and other assets	11,069
Trade payables	(6)
Deferred tax liabilities	(2,153)
Other payables and accruals	(4,391)
Total identifiable net assets at fair value	37,547
Non-controlling interests	(16,896)
	20,651
Goodwill on acquisition	53,349
	74,000
Satisfied by	
Cash	55,000
Cash consideration payable	19,000
	74,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB47,000 and RMB11,069,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

An analysis of the cash flows in respect of the acquisition of Hangzhou Aijinglun is as follows:

	RMB'000
Cash consideration paid	55,000
Cash and bank balances acquired	(12,462)
Net outflow of cash and cash equivalents included in cash flows from investing activities	42,538

Since the acquisition, Hangzhou Aijinglun has contributed RMB617,000 to the Group's revenue and incurred net loss of approximately RMB5,748,000 to the consolidated profit or loss for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,325,000,000 and RMB223,000,000, respectively.

16. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2021, the Company entered into various agreements with shareholders of OHMK Medical Technology Co. Ltd. ("**OHMK**"), a China-incorporated company, under which the Company has agreed to purchase an aggregate of approximately 38.23% of the equity interests in OHMK for a consideration of RMB135,000,000 from two overseas private equity shareholders of OHMK ("**PE Shareholders**"), and then inject another RMB70,000,000 to OHMK as capital contribution ("**Capital Injection**"). After the Capital Injection, the Company will hold 63.64% of the total equity interests of OHMK and obtain a controlling interest in OHMK. Also, the Company agreed to put 3.64% of the equity interest of OHMK to a option fund for OHMK's employee share incentive plan during the years from 2021 to 2023. The purpose of the Transaction is to expand the Company's medical aesthetics business from "medical end" to "consumer end". As of the date of this announcement, OHMK is in the process of applying for the government pre-approval for the above equity purchase from the PE Shareholders and the relevant payment has not yet been made by the Company and hence the acquisition date was uncertain. Accordingly, the Group is still assessing the relevant financial impact on the Group.

On 3 March, 2021, the Group entered into a preferred stock and note purchase agreement with Eirion Therapeutics, Inc. ("**Eirion**"), a US-incorporated company, under which the Group agreed to pay USD9,500,000 in total (USD8,000,000 within the 10 business days of the signing date of the agreement and USD1,500,000 on 1 June 2021) to subscribe unsecured promissory notes issued by Eirion, and then acquire Eirion's newly issued Series A Preferred Shares for a maximum of USD31,000,000 with Eirion's pre-investment valuation of USD190,000,000, provided that Eirion meets the various agreed transaction milestones. At the same time, the Company entered into two product license agreements with Eirion, under which Eirion agreed to authorise the Group to exclusively develop, sell, commercialize (including sublicensing) and sell the botulinum toxin product ET-01 for topical application, AI-09 for injectable botulinum toxin type A, and ET-02 for small molecule drug products for hair loss and graying in Mainland China, Hong Kong, Macao Special Administrative Region and Taiwan and the Group will pay Eirion an upfront payment of USD8,000,000 for ET-01 and AI-09 products, an aggregated maximum of USD43,200,000 for R&D milestone payments and an aggregated maximum of USD444,000,000 for sales-based milestone payments for ET-01, AI-09 and ET-02 products, and 10-year royalty payments of the rates from 4% to 20% based on the annual net sales of ET-01, AI-09 and ET-02 products. As of the date of this announcement, the Group paid USD8,000,000 to Eirion to subscribe the promissory note and remaining transaction has not yet taken place and the relevant payment has not yet been made. Accordingly, the Group is still assessing the relevant financial impact on the Group.

On 19 March 2021, the Group entered into an investment agreement with Shanghai Hengtai Vision Technology Co., Ltd. ("**Hengtai Vision**") and Jinhengtai (Xiamen) Trading Co., Ltd. ("**Jinhengtai**", the original shareholder), pursuant to which, the Group has agreed to purchase 10% equity interests of Hengtai Vision from Jinhengtai for a consideration of RMB15,000,000, and inject another RMB10,000,000 in to Hengtai Vision as capital contribution (collectively, the "**Transaction**"). After the Transaction, the Group will hold 55% of the total equity interests of Hengtai Vision and obtain a controlling interest in Hengtai Vision. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics Co., Ltd. ("**Hengtai Optics**") and Hengtai Vision, pursuant to which, Hengtai Optics will grant exclusive distribution rights of its high-end rigid gas permeable contact lenses for corneal refractive therapy (the "**OK Lenses**", under the brand name of "**Maierkang myOK**") to Hengtai Vision in the territory of mainland China for a period of 10 years, ending on 31 December 2030. Through the Transaction, the Group will further enrich its product portfolio in the field of myopia prevention and control, and consolidate and improve its competitiveness in the ophthalmology product line. As of the date of this announcement, the closing conditions stipulated in the investment agreement have not been fulfilled and no payment has been made yet, hence the Group has not yet acquired the equity interest of Hengtai Vision. Accordingly, the Group is still assessing the relevant financial impact on the Group.

Except for the proposal of final dividend as set out in note 7, the cancellation of repurchased H Shares as set out in note 14 and the three investments set out in this note above, there was no material subsequent event undertaken by the Group after 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Discussion

In 2020, the outbreak of the COVID-19 pandemic (the "**Pandemic**") brought an unprecedented negative impact to the global economy, and the pharmaceutical industry was moving forward cautiously along with prevention and control of the Pandemic and the resumption of work and production. At the same time, the "three-linkage" reform in the medical system covering pharmaceutical industry, healthcare industry, and medical insurance industry was accelerating and deepening. In the short term, supply-side reform in pharmaceutical industry has put pressure on the performance of pharmaceutical manufacturers, and also brought severe challenges to the cost control, innovation and product line layout capabilities of enterprises. In the long run, however, the pharmaceutical industry will not undergo fundamental changes. The rigid market demands brought by the aging of the population and urbanization process in China is still driving the industry to grow steadily. 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 innovative ability, brand value, solid product treatment efficacy, and good financial position are also facing important development opportunity.

As the Group's products are mainly applied to surgeries and diagnosis and treatment services including ophthalmology outpatient and elective surgeries, medical aesthetics outpatient clinics, diagnosis and treatment services for intra-articular viscosupplement and non-emergency surgeries, which were all included in the scope of temporary suspension during the Pandemic period, the business operation of the Group was significantly restricted and the revenue from all of its product lines declined when compared to the corresponding period of last year.

Overall, in the wake of improving Pandemic control and gradual resumption of social activities in China, revenue of the Group demonstrated a rapid rising trend after lingering at low levels throughout all quarters of the Reporting Period. Specifically, in the first quarter of 2020, the impact of the sudden Pandemic outbreak in China was particularly significant. From the second quarter of 2020, thanks to the general containment of the Pandemic in China by the Chinese government, the Group adopted proactive measures to resume production and operation and therefore, the decrease in revenue from all product lines narrowed as compared to the corresponding period of last year. In the second half of 2020, the revenue further showed a trend of obvious recovery and growth.

During the Reporting Period, the Group recorded revenue of approximately RMB1,324.43 million, representing a decrease of approximately RMB271.07 million, or approximately 16.99%, as compared to that in 2019. The breakdown of the Group's revenue of each product line by therapeutic areas and as a percentage of the total revenue from main business of the Group is as follows:

	2020		2019		Change
Product line	***RMB'000***	*%*	*RMB'000*	*%*	*(%)*
Ophthalmology products	**562,660**	**42.48**	709,768	44.49	-20.73
Orthopedics products	**329,910**	**24.91**	357,932	22.43	-7.83
Medical aesthetics and wound care products	**240,705**	**18.17**	299,140	18.75	-19.53
Anti-adhesion and hemostasis products	**171,436**	**12.94**	188,877	11.84	-9.23
Other products	**19,716**	**1.50**	39,781	2.49	-50.44
Total	**1,324,427**	**100.00**	1,595,498	100.00	-16.99

During the Reporting Period, the overall gross profit margin of the Group was approximately 74.78%, representing a slight decrease as compared to approximately 77.19% in 2019, mainly due to the smaller proportion of HA dermal filler products in the Group's total revenue, which have higher gross profit margin.

Despite the short-term decline in operating income due to the impact of the Pandemic, the Group continued to increase investment in R&D, focusing on expanding the R&D pipelines for innovative products of ophthalmology and medical aesthetics. The R&D expenses in the Reporting Period reached approximately RMB126.47 million, representing an increase of approximately RMB10.39 million, or approximately 8.95%, as compared to approximately RMB116.08 million in 2019. The proportion of R&D expenses in revenue increased from approximately 7.28% in 2019 to approximately 9.55%. During the Reporting Period, the Group's ophthalmic projects such as orthokeratology lenses, casting molded hydrophobic aspheric Intraocular lens ("**IOL**"), and retinal hole blocking biogels, as well as the fourth-generation organic cross-linked sodium hyaluronate gel product have entered the critical stage of clinical trials, therefore additional R&D costs have been incurred. The main R&D achievements of the Group are as follows:

In the field of cataract treatment, the Group's R&D projects on various types of IOL are progressing in an orderly manner. Among them, the Group's self-developed casting molded hydrophobic aspheric IOL product has formally commenced clinical trials since September 2020. The development of this product is based on the "13th Five-Year Plan" national key research and development project "Research and development of new-type IOL and high-end ophthalmic implant materials" led by the Group. The clinical trials of the product have started patient enrollment, and the clinical trial period is expected to be approximately two to three years. This casting molded hydrophobic aspheric IOL product adopts innovative production process, which produces IOL products from raw material to finished products by injection molding, thus obtaining more accurate optical performance and significant reduction of production costs. The product has obtained the European Union CE certificate in January 2021, and can be sold in the EU and related overseas markets.

In the field of myopia prevention, the clinical trials of the Group's new orthokeratology products under development are now progressing in an orderly manner. In addition, the Group is in the process of upgrading the only domestically produced Phakic Refractive Lens ("**PRL**") for refractive correction, with the second generation of this product entered the registration process, which will maintain physical aqueous humor circulation and provide a wider range of vision correction.

In the field of ocular surface therapy, the Group's independently developed eye drop, moxifloxacin hydrochloride, was approved by the National Medical Products Administration of the PRC ("**NMPA**") in March 2021, and became the first domestic equivalent product, who completed the application and registration for generic drugs. This product is a fourth-generation fluoroquinolone antibiotics, which offers advantages in the aspects of broad-spectrum antibacterial property, antibacterial efficiency, low-drug resistance and safety as compared with the widely used levofloxacin eye drops (third-generation fluoroquinolone antibiotics). It can effectively inhibit common bacteria in ocular surface infection, act rapidly with high safety, and does not contain preservatives. Therefore, it can be used for patients of all ages (including newborns).

In the field of fundus therapy, the Group's world-leading R&D projects such as linear cross-linked sodium hyaluronate gel and new artificial vitreous continue to advance steadily. Among them, the product "linear cross-linked sodium hyaluronate gel", which is used to seal retinal cleft and treat rhegmatogenous retinal detachment, has started clinical trials since July 2020.

In the field of medical aesthetics, the Group's third-generation HA Dermal Filler product "Hyalumatrix" ("海魅") with linear particle free characteristics was registered with the NMPA in March 2020 and was launched in August 2020. The Group's domestically-pioneered new generation of organic cross-linked sodium hyaluronate gel product has started clinical trials since November 2020. This product uses natural materials as cross-linking agents, and its degradation products are amino acids essential for humans. Compared with traditional chemical cross-linking agents, this product provides better long-term safety. In addition, this product is the first one in China to block the site of action of hyaluronidase and has the feature of long-lasting effect.

During the Reporting Period, the Group's net profit attributable to shareholders of the listed company and the net profit after deducting non-recurring profit or loss attributable to shareholders of the listed company were approximately RMB230.07 million and RMB206.43 million respectively, representing decreases of approximately 37.95% and 42.25% respectively, as compared to those in 2019, which were mainly due to the fact that the operating revenue in the first half of the year 2020 was greatly affected by the Pandemic. By the second half of the year 2020, however, the Group's net profit attributable to shareholders of the listed company has resumed a year-on-year growth.

Ophthalmology Products

In the field of ophthalmology, the Group is the largest Ophthalmic Viscosurgical Device ("**OVD**") product manufacturer in the PRC and one of the internationally renowned manufacturers of IOL. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. ("**Biaodian Medical**") under the NMPA Southern Medicine Economic Research Institute, the market share of the Group's OVD products was approximately 45.85% in 2019, with a market share of over 40% for the past 13 consecutive years. Based on sales volume, the Group's IOL products have captured about 30% of the IOL market in the PRC. 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 worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB562.66 million, representing a decrease of approximately RMB147.11 million, or approximately 20.73%, as compared to that in 2019. The breakdown of revenue from ophthalmology products by specific products is as follows:

	2020		2019		Change
	RMB'000	*%*	*RMB'000*	*%*	*(%)*
IOL products	**329,403**	**24.87**	431,735	27.06	-23.70
Ophthalmic materials	**132,039**	**9.97**	151,690	9.51	-12.95
OVD products	**84,235**	**6.36**	112,631	7.06	-25.21
Other ophthalmology products	**16,983**	**1.28**	13,712	0.86	23.86
Total	**562,660**	**42.48**	709,768	44.49	-20.73

Cataract is the number one blindness-causing disease 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 raw material production link of the IOL industrial chain through Contamac Holdings; mastered the R&D and production process of IOL products through our subsidiaries Aaren Scientific Inc., Henan Universe, and Eyegood Medical (Zhuhai) Co., Ltd. (珠海艾格醫療科技開發有限公司); meanwhile, strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of our subsidiary Shenzhen 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 foldable IOL to multifocal foldable IOL. In addition, while leveraging on the support of the National Key R&D Programs under the "13th Five-Year Plan", the Group creates synergy among the ophthalmology R&D innovation platforms of the Group in the PRC, the United States and the United Kingdom 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 to achieve a comprehensive layout of IOL materials and optical features.

During the Reporting Period, in the procurements with target quantity of IOL high-value consumables organized by Beijing-Tianjin-Hebei province "3+N", Yunnan Province, cross-province alliance led by Shaanxi Province, Henan Province and other alliances, multiple types of the Group's ophthalmic 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 procurements with target quantity, and 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 procurement with target quantity 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 rapid 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.

In addition, the Group continued to focus on investment and mergers and acquisitions opportunities in the global ophthalmic industry to accelerate the localization process of China's ophthalmic industry, and strived to become a comprehensive ophthalmology group. During the Reporting Period, the Group further expanded its ophthalmic business to the field of myopia prevention and control and refractive correction.

China is one of the countries with the largest number of blindness and visual impairment patients in the world, with cataracts accounting for approximately 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 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 orthokeratology products. The clinical trials of such products were officially launched in January 2020 and are now progressing in an orderly manner. At the same time, the Group has also started to conduct R&D layout for the projects such as gas permeable scleroscope and soft corneal contact lenses with myopia correction capabilities. In March 2021, the Group entered into a strategic cooperation agreement, pursuant to which the Group acquired a total 55% of the equity interests of Hengtai Vision through the purchase of a portion of the equity held by the existing shareholders of of Hengtai Vision and the cash capital injection to Hengtai Vision, with a total investment of RMB25 million. At the same time, the Group entered into an Exclusive Distribution Agreement with Hengtai Optics and Hengtai Vision, pursuant to which, Hengtai Optics will grant exclusive distribution rights of its high-end rigid gas permeable contact lenses for corneal refractive therapy (the "**orthokeratology lens**", under the brand name of "**Maierkang myOK**"), which owns the highest oxygen permeability with DK 141 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 also grant continuously exclusive distribution rights of its optical lenses for the management and control of myopia in children (under the brand name of "**Beishide**") to Hengtai Vision in the territory of mainland China.

In the field of refractive correction, in April 2020, the Group acquired 55% equity interest in Hangzhou Aijinglun. Hangzhou Aijinglun is mainly engaged in the research and development, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed “Yijing” Posterior Chamber-PRL product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by 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, therefore the product is highly scarce. In addition, the Group is in the process of upgrading its PRL products, 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.

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

In the field of medical aesthetics and wound care, the Group is the second largest domestic manufacturer of rhEGF for external use and one of the well-known domestic manufacturers of HA Dermal Filler. The Group’s 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 continued to increase to 23.49% in 2019, 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 cross-linking, low-temperature secondary cross-linking, linear non-particle cross-linking, and organic cross-linking. The Group’s first-generation HA dermal filler “Matrifill” is the first mono-phase sodium hyaluronate gel for injection approved by the 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 fourth-generation organic cross-linked hyaluronic sodium hyaluronate gel product has entered the clinical trial stage. 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 RMB240.71 million, representing a decrease of approximately RMB58.44 million, or approximately 19.53%, as compared to 2019. The breakdown of the revenue from medical aesthetics and wound care products by specific products is as follows:

	2020		2019		Change
	RMB'000	*%*	*RMB'000*	*%*	*(%)*
HA Dermal Filler	**145,410**	**10.98**	203,491	12.75	-28.54
rhEGF	**95,295**	**7.19**	95,649	5.99	-0.37
Total	**240,705**	**18.17**	299,140	18.75	-19.53

In recent years, demand for aesthetics have been growing increasingly, and the speed of upgrade of medical aesthetic products and related technology have been accelerating. These new products and technology 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 third 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 medical aesthetic products 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.

During the Reporting Period, under the influences of the Pandemic and the tightening of supervision on medical aesthetics terminal industry, the businesses of the domestic medical aesthetics institutions and their demands for hyaluronic acid products were significantly affected. Therefore, the Group's hyaluronic acid products have suffered a decrease in revenue compared to 2019 due to a decrease in sales volume. However, relying on the brand foundation widely recognized by the series of HA dermal filler products, the Group actively adjusted its sales strategy and maintained a relatively stable and good overall price system with a series of effective professional market service measures. In the second half of the Reporting Period, the Group launched its third-generation HA dermal filler product "Hyalumatrix" with better injection effects to the market.

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 sodium hyaluronate products, the Group's self-developed serially HA dermal filler 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. With the integrated mode of direct sales to medical institutions 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. 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 of HA dermal filler.

In addition, the Group always focuses on the industrial layout in the field of medical aesthetics, aiming to integrate domestic industrial resources and introduce international advanced innovative technologies and products through various approaches such as R&D, investment, mergers and acquisitions, and cooperation. As of the date of this announcement, 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 acquired 63.64% of the equity of OHMK with a total investment of RMB205 million. After that, the radio frequency and laser medical devices and household instruments, as well as innovative hyaluronic acid products, chitosan extract injection products and other tissue fillers of OHMK were 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 Company 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 was approximately RMB329.91 million, representing a decrease of approximately RMB28.02 million, or approximately 7.83%, as compared to that in 2019. The breakdown of the revenue generated from the sales of orthopedics products by specific products is as follows:

	2020		2019		Change
	RMB'000	*%*	*RMB'000*	*%*	*(%)*
Sodium hyaluronate injection	**230,454**	**17.40**	250,766	15.72	-8.10
Medical chitosan used for intra-articular viscosupplement	**99,456**	**7.51**	107,166	6.72	-7.19
Total	**329,910**	**24.91**	357,932	22.43	-7.83

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 65 is 58%, and that in women is 65% to 67%; the incidence of people over 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, medical chitosan intra-articular viscosupplement is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC.

Benefiting from the complete specifications and attractive price system of the Group's product portfolio of orthopedic intra-articular viscoelastic supplements, we have continuously increased market shares in recent years and have obvious competitive advantages. According to the research reports of Biaodian Medical, the Group has been the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for six consecutive years, with a market share of 42.09% in 2019.

Anti-adhesion and Hemostasis Products

During the Reporting Period, the Group's anti-adhesion and hemostasis products achieved revenue of approximately RMB171.44 million, decreased by approximately RMB17.44 million compared to 2019, representing a decrease of approximately 9.23%. The breakdown of revenue from the sales of anti-adhesion and hemostasis products by specific products is as follows:

	2020		2019		Change
	RMB'000	*%*	*RMB'000*	*%*	*(%)*
Medical chitosan used for anti-adhesion	**91,182**	**6.88**	93,473	5.86	-2.45
Medical sodium hyaluronate gel	**61,264**	**4.63**	73,669	4.62	-16.84
Collagen sponge	**18,990**	**1.43**	21,735	1.36	-12.63
Total	**171,436**	**12.94**	188,877	11.84	-9.23

The Group is the largest domestic manufacturer of surgical anti-adhesive materials and one of the major manufacturers of medical collagen sponges. Tissue adhesion is the main cause of postoperative complications. The use of polymer biomaterials as spacers to prevent surgical adhesion has gradually become a consensus to improve the safety of surgery. Currently, medical chitosan and medical sodium hyaluronate gel anti-adhesion products independently developed by the Group have been recognized and used in clinical practice. According to the research reports of Biaodian Medical, the Group has been the largest anti-adhesion product manufacturer in the PRC for thirteen consecutive years, with a market share of 29.64% in 2019.

At the same time, the Group is also committed to the R&D, production and sales of various degradable and rapid hemostatic materials such as medical collagen sponges and fibrin sealants. The degradable and rapid hemostatic materials have also been listed as key industry development field in the "Guide to the Development Planning of the Pharmaceutical Industry (《醫藥工業發展規劃指南》)". Medical collagen has good hemostatic and tissue filling effect, and thus becomes a unique biomedical material used in surgical operations for gynecology and obstetrics, otolaryngology, brain surgery and general surgery. The medical collagen sponge "奇特邦" product of the 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.

Affected by the Pandemic and the cost & quantity control policy for high-value consumables, the sales revenue of the Group's anti-adhesion and hemostasis products has declined during the Reporting Period, but beginning from the second half of the year of 2020, it has shown a trend of steady recovery.

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 largescale 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.

The rigid market demands brought by the aging of the population 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, good financial position, brand value, and innovative ability are also facing important development opportunity.

Company Development Strategy

The Group always aims to continuously improve the quality of life 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 the existing ophthalmology, medical aesthetics, orthopedics and anti-adhesion and hemostasis. In the field of ophthalmology, the Group will continuously enrich the layout of large ophthalmic product lines from ocular surface to fundus, and is committed to providing visual health solutions for all age groups. In the field of medical aesthetics, the Group will fully satisfy the multi-level demands of end consumers, through products portfolio of leading innovative biomaterials, pharmaceutical, instruments and equipment, which can penetrate into three major application scenarios for medical aesthetics institutions, life aesthetics and home aesthetics.

The Group always pay attention to scientific research innovation and achievement transformation, continue to maintain its leading position in technology through independent R&D, cooperation with domestic and foreign well-known R&D institutions and technology introduction; realize the strategic goal of perfecting product lines and integrating the industrial chain through the combination of organic growth and mergers and acquisitions; improve operational efficiency through continuous optimization and improvement of management capabilities; and strengthen the Company's brand building and professional service to enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials.

Business Plan

In 2021, the Group will continue to leverage on the outstanding track record, resource advantages and rich experience of the management team in integrating strategic assets, further strengthen the integration of merged and acquired enterprises in various functions such as R&D, production, sales and service, enable merged and acquired enterprises to quickly integrate into the Group's management system with a view to maximizing synergy, improving operational efficiency, developing innovative technologies, and expanding market space, and continue to enhance core competitiveness.

In respect of R&D, the Group will create synergy among the superior R&D resources in China, the United States, the United Kingdom, and Israel, increase investment in R&D of innovative products, continue to promote the optimization and upgrade of product portfolios, expand the clinical application of products, and ensure technological leadership in the four major therapeutic areas of ophthalmology, medical aesthetics, orthopedics, and general surgery.

In respect of marketing, the Group will adopt a series of market measures to deepen the market penetration of advantageous products and expand the coverage of key hospitals and regions with new products through sophisticated multi-dimensional marketing methods. Under the new situation of pharmaceutical marketing, the Group will pay more attention to compliance management and provide more in-depth professional services.

While continuing to promote the growth of endogenous businesses, the Group will, based on the layout of the entire industrial chain of the existing IOL, effectively use its own funds, constantly deploy the areas of refractive correction and myopia prevention and control, and continue to pay attention to more industrial opportunities in glaucoma, fundus disease, dry eye and other ophthalmic treatment areas. In addition, the Group will also explore the rapidly developing therapeutic fields such as medical aesthetics, orthopedics and surgery, and actively seek suitable target companies, new technologies and new products, and take the opportunity to adopt acquisition or cooperation to obtain new extensional growth.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded an aggregate revenue of approximately RMB1,324.43 million (2019: approximately RMB1,595.50 million), representing a decrease of approximately RMB217.07 million, or approximately 16.99%, as compared to that in 2019. During the Reporting Period, affected by the Pandemic, the medical and surgical services were temporarily suspended in China as a measure for epidemic prevention and control, resulting the sharp reduction in the use of the Group's products, which are mainly used for ophthalmology outpatient and elective surgeries, medical aesthetics outpatient clinics, intra-articular viscosupplementation, non-emergency surgeries, etc., and the significant restriction in the Group's revenue. As a result, the revenues from each product line decreased as compared to the corresponding period of last year. Among them, the revenue of the Group in the first quarter of 2020 was particularly affected by the sudden outbreak of the Pandemic. From the second quarter of 2020, China basically stopped the spread and transmission of the Pandemic, and the Group also took active measures to resume production and operation, and as a result the operating revenue from each product line had a narrowed falling gap as compared to the corresponding period of last year, and the second half of the year of 2020 showed further significant recovery and growth.

During the Reporting Period, the overall gross profit margin of the Group was approximately 74.78%, representing a decrease as compared to 77.19% in 2019, mainly due to the reduction of percentage of the operating revenue from HA Dermal Filler Products with high gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group were approximately RMB555.73 million, representing an increase of approximately RMB11.60 million or approximately 2.13% from approximately RMB544.13 million in 2019. Although offline marketing activities almost stagnated in the first quarter of 2020 owing to the impact of the Pandemic, the Group constantly invested in market and marketing activities and strengthened its online promotion efforts from the second quarter of 2020 when the epidemic was basically kept under control so as to maintain its market share, strengthen and deepen the market's recognition of the Group's products, especially new products. Hence, the selling and distribution expenses had a slight increase, as compared to that in 2019.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group were approximately RMB216.76 million, representing a decrease of approximately RMB52.23 million or approximately 19.42% from approximately RMB268.99 million in 2019, and the proportion of administrative expenses to the Group's total revenue was 16.37%, aligned with the 16.86% in 2019. During the Reporting Period, the total administrative expenses of the Group declined, primarily due to the impact of the Pandemic, leading to a reduction in various administrative activities as well as the reduction of bonuses.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group were approximately RMB126.47 million, representing an increase of approximately RMB10.39 million or approximately 8.95% from approximately RMB116.08 million in 2019. 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 a few ophthalmic and medical aesthetic projects that have entered the critical clinical trial stage, leading to more R&D investments.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB180.74 million, representing an increase of approximately RMB51.24 million, or approximately 39.57% from approximately RMB129.50 million in 2019. During the Reporting Period, the increase in other income and gains was primarily due to (1) the interest gained from the unused proceeds raised from listing on the Sci-Tech Innovation Board of SSE during the Reporting Period that significantly increased by approximately RMB41.89 million as compared to that in 2019; (2) during the Reporting Period, the Group received approximately RMB36.11 million of dividend income from equity investments designated at fair value through other comprehensive income, representing an increase of approximately RMB26.35 million as compared to that in 2019; (3) during the Reporting Period, the amount of government grants received by the Group and recorded in other gains were approximately RMB33.88 million, representing a decrease of approximately RMB12.45 million as compared to that in 2019, mainly due to the reduction of government grants relating to the high-tech achievement conversion projects, offsetting the effect of the foresaid two items of increase.

Other Expenses

During the Reporting Period, the other expenses of the Group were approximately RMB11.51 million, representing a decrease of approximately RMB10.25 million or approximately 47.10% as compared to approximately RMB21.76 million in 2019. During the Reporting Period, the decrease of other expenses was mainly due to the difference in composition. The Group's other expenses in 2019 included one-off investment loss of approximately RMB9.53 million arising from the disposal of 50% equity interest of the joint venture Contateq B.V., and the recognized one-off investment loss of approximately RMB9.98 million arising from the acquisition of 100% equity interest of ODC. The Group's other expenses in 2020 mainly included the inventory reserves and foreign exchange losses arising from ordinary operations.

Share of Profits of a Joint Venture

During the Reporting Period, the Group shared zero profit of the joint venture while it shared a profit of the joint venture of approximately RMB27.55 million in 2019. As the investment project held by the Group's joint venture Changxing Tongrui was completed in 2019 so that the Group received the investment proceeds while no similar investment proceeds was received from Changxing Tongrui during the Reporting Period.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB30.69 million (2019: approximately RMB57.97 million), which was primarily due to the decrease in operating profit of the Group during the Reporting Period.

Results of the Year

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB230.07 million (2019: RMB370.78 million), representing a decrease of approximately RMB140.71 million or approximately 37.95% as compared to that in 2019, which was mainly attributable to the following factors: (1) during the Reporting Period, affected by the Pandemic, the Group's total revenue decreased by approximately RMB217.07 million and the overall profit margin declined slightly, resulting in the decrease of gross profit by approximately RMB241.07 million; (2) during the Reporting Period, due to the increase in interest income and dividend income, the Group's other income and gains increased by approximately RMB51.24 million as compared to that in 2019; (3) as mentioned above, during the Reporting Period, the total amount of selling and distribution expenses, administrative expenses and R&D expenses of the Group decreased by approximately RMB30.24 million as compared to that in 2019; (4) during the Reporting Period, the income tax expense decreased by approximately RMB27.28 million as compared to that in 2019; and (5) during the Reporting Period, due to the temporary losses incurred by some non-wholly-owned subsidiaries, the loss attributable to non-controlling interests of the subsidiaries was approximately RMB3.73 million, while the profit attributable to non-controlling interests of the subsidiaries was approximately RMB5.60 million in 2019. Hence, the impact of profit and loss attributable to non-controlling interests was approximately RMB9.33 million.

During the Reporting Period, the basic earnings per share were RMB1.30 (2019: RMB2.27).

Liquidity and Capital Resources

As of 31 December 2020, the total current assets of the Group were approximately RMB3,809.96 million, representing a decrease of approximately RMB135.42 million or approximately 3.43% as compared to that as of the 31 December 2019, which was mainly due to the slight decrease of the ending amount of the cash and bank balances as at the end of 2020 arising from the continuous investment made by the Group in engineering projects and equity investment expenditure.

As of 31 December 2020, the total current liabilities of the Group were approximately RMB433.76 million, representing an increase of approximately RMB73.79 million as compared to that as of 31 December 2019, which was mainly due to the increase in short-term bank borrowings of the Group to replenish working capital during the Reporting Period, and the increase in other payables related to the purchase of engineering equipment and market activities, following the steady progress of various infrastructure projects and market activities.

As of 31 December 2020, as the total current liabilities of the Group increased, the Group's current assets to liabilities ratio was approximately 8.78 (31 December 2019: 10.96), representing a slight decrease as compared to that as at the end of 2019, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 1,374 employees as at 31 December 2020. The breakdown of the total number of employees by function was as follows:

Production	557
R&D	270
Sales and Marketing	341
Finance	45
Administration	161
Total	1,374

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, 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 change and the total remuneration of the Group's employees amounted to approximately RMB294.52 million, representing a decrease of approximately RMB31.17 million from the approximately RMB325.69 million in 2019, which was mainly due to the cost reduction and bonus reduction as affected by the Pandemic, and the slight decrease in the employees' social insurance cost of the Group benefiting from the preferential or exemption policies introduced by the mainland China during the Pandemic. 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 dollars 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 31 December 2020, the Company's bank borrowings amounted to approximately RMB50.00 million being secured by the pledge of bank deposits of approximately RMB50.00 million from Shanghai Qisheng, a subsidiary of the Group. In addition, the bank borrowings of the subsidiary ODC amounted to approximately RMB148,000 were secured by the mortgage of a conveyance of ODC with a carrying amount of approximately RMB201,000.

As at 31 December 2019, the bank borrowings of approximately GBP1.00 million (equivalent to approximately RMB9.14 million) of Contamac Holdings, a subsidiary of the Company, were secured by the pledge of certain of its property, plant and equipment with the carrying amount of approximately GBP1.44 million (equivalent to approximately RMB13.28 million). The abovementioned bank borrowings have been fully settled during the Reporting Period.

Gearing Ratio

As at 31 December 2020, the total liabilities of the Group amounted to approximately RMB564.46 million and the gearing ratio (the percentage of total liabilities to total assets) was 8.96%, which remained stable as compared to 8.10% as at 31 December 2019.

Cash and Cash Equivalents

As at 31 December 2020, the Group's total cash and cash equivalents were approximately RMB1,327.89 million, representing an increase of approximately RMB383.38 million from approximately RMB944.51 million as at 31 December 2019. This increase was primarily resulted from the net cash flow from investment activities and operating activities that were approximately RMB316.92 million and RMB262.07 million respectively, part of which was offset by the net cash flow of approximately RMB190.06 million used for financing activities.

Bank Borrowings

As at 31 December 2020, the Company and NIMO, a subsidiary of the Company, had interest-bearing bank borrowings of approximately RMB50.00 million and RMB28.69 million respectively. As at 31 December 2019, NIMO and Contamac Holdings, both subsidiaries of the Company, had interest-bearing bank borrowings of approximately RMB5.30 million and GBP1.00 million (equivalent to approximately RMB9.14 million) respectively.

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 31 December 2020, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 16 to the financial statements in this results announcement for the details of significant subsequent event.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group has no any other material investment plans or capital asset plans during the year ended 31 December 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this announcement, the Group did not have any material acquisitions and disposals related to subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Significant Investment

Save as disclosed in this announcement, the Group has no other significant investment during the year ended 31 December 2020.

Purchase, Sales or Redemption of Listed Securities

At the 2020 first extraordinary general meeting, the 2020 first A shareholders' class meeting and the 2020 first H shareholders' class meeting of the Company held on 14 February 2020, a proposal was approved to grant the Board a general mandate to repurchase the Company's H shares. Pursuant to such authorization, the Company repurchased a total of 638,700 H shares on the HKSE during the period from 27 March 2020 to 8 May 2020, using a total amount of approximately HK$24,721,000. On 3 July 2020, the 638,700 H shares repurchased by the Company were cancelled; after the cancellation, the total number of shares of the Company was 177,206,600 shares.

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 authorization, the Company repurchased a total of 584,500 H shares on the HKSE during the period from 21 July 2020 to 3 September 2020, using a total amount of approximately HK$31,236,345. On 19 March 2021, the 584,500 H shares repurchased by the Company were cancelled; after the cancellation, the total number of shares of the Company was 176,622,100 shares.

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.

Final Dividend and Annual General Meeting

The Board proposed to declare the final dividend of RMB0.50 (inclusive of tax) per share for the year ended 31 December 2020, amounting to RMB88,311,050 in total. From the date of disclosure of the above proposal to its implementation, in the event that the total share capital of the Company changes, the Company will maintain the dividend distribution per share and capitalizing proportion per share unchanged, and the aggregate amount of distributed dividend and capitalized shares will be adjusted based on the total share capital as at the registration date of shareholding.

The above proposal will be put forward at the 2020 annual general meeting of the Company ("**AGM**") for consideration and approval. The specific arrangements regarding the final dividend and its distribution, and the time and arrangement of the closure of register of members of H Shares will be announced separately by the Company in a circular of the AGM. If these matters are approved at the AGM, the Company expects to distribute the dividend within two months after the date of the AGM (expected to be on or before 31 August 2021). The Company shall announce separately the expected dividend payment date.

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 of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference. Mr. Chen Huabin, Mr. Shen Hongbo, Mr. Zhu Qin and Mr. Wong Kwan Kit ceased to be the Directors and ceased to hold positions in the Audit Committee with effect from 29 June 2020. On 29 June 2020, Ms. Li Yingqi was appointed as the chairwoman of the Audit Committee and Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei were appointed as members of the Audit Committee. 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 process, risk management and internal control system. The Group's audited consolidated financial statements and annual results for the Reporting Period have been reviewed by the Audit Committee.

Publication of the Annual Results and Annual Report

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

The Company's 2020 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the HKExnews website of the HKSE (www.hkexnews.hk) and the Company's website (www.3healthcare.com) in due course.

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

Shanghai, the PRC, 26 March 2021

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

* *For identification purpose only*