



上海昊海生物科技股份有限公司

Shanghai Haohai Biological Technology Co.,Ltd.

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

Stock Code : 6826



2022

INTERIM REPORT

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CORPORATE INFORMATION

FIFTH SESSION OF THE BOARD OF DIRECTORS

Executive Directors:

Dr. Hou Yongtai (*Chairman*)
Mr. Wu Jianying (*General Manager*)
Ms. Chen Yiyi
Mr. Tang Minjie (*Chief Financial Officer*)

Non-executive Directors:

Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:

Mr. Guo Yongqing
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

FIFTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

Mr. Liu Yuanzhong
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Ms. Song Xiao

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Ms. Tian Min
Mr. Chiu Ming King (*a fellow member of the
Hong Kong Chartered
Governance Institute*)

AUDIT COMMITTEE

Mr. Guo Yongqing (*Chairman*)
Ms. You Jie
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Zhao Lei

REMUNERATION AND REVIEW COMMITTEE

Mr. Su Zhi (*Chairman*)
Mr. Wu Jianying
Mr. Huang Ming
Mr. Guo Yongqing
Mr. Zhao Lei

NOMINATION COMMITTEE

Mr. Zhao Lei (*Chairman*)
Dr. Hou Yongtai
Ms. You Jie
Mr. Guo Yongqing
Mr. Su Zhi

STRATEGY COMMITTEE

Ms. You Jie (*Chairlady*)
Dr. Hou Yongtai
Mr. Wu Jianying
Mr. Huang Ming
Mr. Yang Yushe

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CORPORATE INFORMATION

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A SHARE REGISTRATION INSTITUTION

China Securities Depository and
Clearing Corporation Limited Shanghai Branch
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Shanghai, China

INFORMATION OF H SHARES

Place of listing: The Main Board of The Stock
Exchange of Hong Kong Limited
Stock code: 6826
Number of
H Shares issued: 38,022,100 H Shares (as at
30 June 2022)
Nominal value: RMB1.00 per H Share
Stock short name: HAOHAI BIOTEC

INFORMATION ON A SHARES

Place of listing: Sci-tech Innovation Board of the
Shanghai Stock Exchange
Stock code: 688366
Number of
A Shares issued: 137,800,000 A Shares (as at
30 June 2022)
Nominal value: RMB1.00 per A Share
Stock short name: HAOHAI BIOTEC

REGISTERED OFFICE

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INTERIM RESULTS HIGHLIGHTS

HIGHLIGHTS OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

- During the Reporting Period, the Group recorded a revenue of approximately RMB956.27 million (the corresponding period in 2021: approximately RMB845.87 million), representing an increase of approximately RMB110.40 million or approximately 13.05% as compared to the corresponding period in 2021.
- During the Reporting Period, R&D expenses of the Group was approximately RMB76.71 million, representing an increase of approximately RMB3.22 million or approximately 4.38% as compared to approximately RMB73.49 million for the corresponding period in 2021. R&D expenses of the Group accounted for 8.02% of its revenue (the corresponding period in 2021: 8.69%), which continued to remain at a high level.
- During the Reporting Period, the profit attributable to the ordinary equity holders of the Company was approximately RMB71.03 million (the corresponding period in 2021: approximately RMB231.02 million), representing a decrease of approximately RMB159.99 million or approximately 69.25% as compared to the corresponding period in 2021.
- During the Reporting Period, the basic earnings per share of the Company was RMB0.41 (the corresponding period in 2021: RMB1.31).
- The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Overview

In the first half of 2022, Shanghai and its surrounding cities experienced the severe challenge of the COVID-19 pandemic (“Pandemic”) since February, which affected the normal operations of the supply chain and other processes of the Company and its three major production subsidiaries located in Shanghai. Until early June 2022, when the Pandemic subsided, Shanghai gradually terminated the citywide static management, and the Company’s operation was gradually restored. Although the Company actively organized production and shipment on the basis of properly carrying out epidemic prevention to minimize the impact of the Pandemic and made efforts to make up for the influence in June 2022, the revenue of the Company and its subsidiaries in Shanghai still decreased on the whole as compared to the corresponding period in 2021. Meanwhile, despite the spread of the Pandemic in China, the Company’s subsidiaries located outside Shanghai actively expanded their presence in the market. During the Reporting Period, the revenue from the Group’s domestic intraocular lens (“IOL”) product line significantly increased as compared to the corresponding period in 2021. In addition, during the Reporting Period, the Group added orthokeratology lens (“Orthokeratology Lens”) products, radio frequency devices and laser equipment products as compared to the corresponding period in 2021, and the revenue from sales of such products offset the revenue decline arising out of the impact of the Pandemic in Shanghai.

During the Reporting Period, the revenue of the Group was approximately RMB956.27 million, representing an increase of approximately RMB110.40 million or 13.05% as compared to the corresponding period in 2021. The breakdown of the Group’s revenue from the main business of each product line by therapeutic areas is as follows (by the amount and as a percentage of the total revenue of the Group):

Product line	January-June 2022		January-June 2021		Change (%)
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Ophthalmology products	354,161	37.04	354,409	41.90	-0.07
Medical aesthetics and wound care products	327,057	34.20	179,074	21.17	82.64
Orthopedics products	177,768	18.59	204,708	24.20	-13.16
Anti-adhesion and hemostasis products	83,688	8.75	94,631	11.19	-11.56
Other products	13,593	1.42	13,052	1.54	4.14
Total	956,267	100.00	845,874	100.00	13.05

During the Reporting Period, the overall gross profit margin of the Group was 69.73%, representing a decrease as compared to 74.37% in the corresponding period in 2021, mainly due to a combination of the following reasons: 1) the gross profit margin of the radio frequency device and laser equipment industry in which Juva Medical, a subsidiary of the Company, operates, was lower than that of the high-value consumables industry in which the Group was originally engaged, and the overall gross profit margin of the Group decreased by approximately 3.02% after the inclusion of Juva Medical and its subsidiaries in the consolidated statements of the Company since September 2021; and 2) Nanpeng Optics, a subsidiary of the Company, exclusively distributes the “Hiline” Orthokeratology Lens products of Hengtai Optics Co., Ltd. (“Hengtai Optics”) in mainland China, the gross profit margin of which is lower than that of the high-value consumables industry in which the Group is originally engaged in, thus lowering the overall gross profit margin of the Group by approximately 1.97% during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group continuously increased its research and development (“R&D”) investment, and focused on expanding the innovative product lines of ophthalmology and medical aesthetics. The R&D expenses were approximately RMB76.71 million, representing an increase of 4.38% as compared to the corresponding period in 2021. The R&D expenses remained high at 8.02% of the revenue (the corresponding period in 2021: 8.69%).

During the Reporting Period, the Group’s net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring gains or losses were approximately RMB71.03 million and RMB53.19 million, respectively, representing a decrease of approximately 69.25% and 75.93% as compared to the corresponding period in 2021. In addition to the above-mentioned factors resulting in the decrease in the gross profit, the decrease in net profit attributable to shareholders of the Company as compared to the corresponding period in 2021 was mainly because: 1) the citywide static management due to the Pandemic in Shanghai caused the near suspension of the production activities of the Company and its three major production subsidiaries located in Shanghai during the period from March to May 2022. Meanwhile, the distribution agreement between Aaren Scientific Inc. (“Aaren”, a subsidiary of the Company in the USA) and Zhuhai Sunny Medical Device Co., Ltd (“Zhuhai Sunny”, the former domestic exclusive distributor in China) was terminated, which caused the domestic sales channels of the Aaren-branded IOL products manufactured by Aaren to face re-integration. Before the completion of the re-integration of the domestic sales channels, Aaren initiated a plan for phased production suspension and expenditure reduction. This caused the Group to incur the loss of approximately RMB48.35 million from production suspension during the Reporting Period; 2) during the corresponding period in 2021, the Group received dividends of approximately RMB25.69 million from Shenwu No.1 Investment Product, while during the Reporting Period, the Group did not receive such dividend; 3) during the Reporting Period, in view of the termination of the distribution agreement between Aaren and the former domestic exclusive distributor in China and the proposed re-integration of the domestic sales channels of the Aaren-branded IOL products, the management of the Company believed that there were indications of impairment on the Aaren business, and an impairment test was conducted. According to the results of the impairment test, the total impairment loss on the goodwill and intangible assets of the Aaren business amounted to approximately RMB25.00 million; and 4) during the Reporting Period, as a result of the implementation of the equity incentive schemes, the Company and some of its subsidiaries amortized share-based payment expenses of approximately RMB14.87 million in total, while such expenses were not incurred in the corresponding period in 2021.

As at the end of the Reporting Period, the total assets of the Group were approximately RMB7,014.87 million, basically unchanged as compared to the end of 2021. The net assets of the Group attributable to shareholders of the Company were approximately RMB5,539.45 million, representing a mild decrease of 3.05% as compared to those at the end of 2021.

Ophthalmology Products

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is the largest ophthalmic viscoelastic device (“OVD”) product manufacturer in the PRC. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. (“Biaodian Medical”) under the NMPA Southern Medicine Economic Research Institute, the market share of the Group’s OVD products was 50.83% in 2021 (2020: 45.24%), ranking first in China for the past 15 consecutive years. Meanwhile, the Group is a major supplier in the domestic IOL market. In addition, Contamac Holdings, a subsidiary of the Company, is one of the world’s largest independent manufacturers of ophthalmic materials providing ophthalmic materials such as materials for IOL and Orthokeratology Lenses to customers in more than 70 countries worldwide.

During the Reporting Period, the Group’s revenue from the sales of ophthalmology products was approximately RMB354.16 million, basically the same as the corresponding period in 2021. The breakdown of revenue from ophthalmology products by specific products is as follows:

Item	January-June 2022		January-June 2021		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Change (%)
Cataract product line	166,425	17.41	243,963	28.84	-31.78
IOL products	128,016	13.39	190,708	22.54	-32.87
OVD products	38,409	4.02	53,255	6.30	-27.88
Myopia prevention and control, and refractive correction product line	176,188	18.42	101,801	12.04	73.07
Ophthalmology and optometry materials	77,218	8.07	81,758	9.67	-5.55
Ophthalmology and optometry end products	98,970	10.35	20,043	2.37	393.79
Other ophthalmology products	11,547	1.21	8,645	1.02	33.57
Total	354,160	37.04	354,409	41.90	-0.07

IOL and OVD products are mainly used for cataract surgery. During the Reporting Period, the revenue of the Group from the cataract product line amounted to approximately RMB166.43 million, representing a decrease of approximately RMB77.54 million or 31.78% as compared to the corresponding period in 2021. Specifically, the revenue from IOL products was approximately RMB128.02 million, representing a decrease of 32.87% as compared to the corresponding period in 2021, mainly due to the significant decrease in the sales revenue from Aaren-branded IOL products during the Reporting Period as a result of the termination of the distribution agreement between Aaren and Zhuhai Sunny, the former domestic exclusive distributor in China, as well as market integration of sales channels of Aaren-branded IOL products. In addition, the IOL products supplied by Lenstec (Barbados), Inc., with NIMO (a subsidiary of the Company) acting as the agent, were affected by the Pandemic in Shenzhen and Hong Kong, as the customs postponed the release of the products, which led to a drop in market supply; meanwhile, the sales price for the IOL products was appropriately adjusted based on the bidding results for volume-based procurement. Such two factors led to a significant decrease in the revenue of NIMO as compared to the corresponding period in 2021. During the Reporting Period, the revenue from OVD products was approximately RMB38.41 million, representing a decrease of 27.88% as compared to the corresponding period in 2021, mainly due to the Pandemic in Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue of the Group from the myopia prevention and control, and refractive correction product line was approximately RMB176.19 million, representing an increase of 73.07% as compared to the corresponding period in 2021. Specifically, the revenue from the ophthalmology and optometry materials business (operated by Contamac Holdings, a UK subsidiary of the Company) in the upstream part of the supply chain was approximately RMB77.22 million during the Reporting Period, and such revenue in sterling increased by 11.60% as compared to the corresponding period in 2021, mainly due to the gradual abatement of the global Pandemic and the continuous expansion of international markets including the United States for products including gas permeable materials. However, the exchange rate of sterling against RMB remained weak during the Reporting Period, resulting in a decrease in the revenue of the business after translation into RMB as compared to the corresponding period in 2021. Ophthalmology and optometry end products cover Orthokeratology Lenses and the eye drops and equipment used in the process of fitting and wearing them, soft contact lenses, phakic refractive lenses and other products. During the Reporting Period, the revenue of the Group from ophthalmology and optometry end products was approximately RMB98.97 million, representing an increase of approximately RMB78.93 million as compared to the corresponding period in 2021, mainly because the Group started to be engaged in optometric products in the second quarter of 2021, and the revenue from optometric products including Orthokeratology Lens and contact lenses increased significantly during the Reporting Period.

Other ophthalmology products mainly include injectors, scalpels, suture needles and other products used in various ophthalmic operations. During the Reporting Period, the Group's other ophthalmology products recorded revenue of approximately RMB11.55 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the second round of volume-based procurement of high-value consumables of IOL in provinces, cities and alliances was started. Specifically, the most representative Beijing-Tianjin-Hebei “3+11” alliance and the alliance of nine provinces in western China completed the tendering work for the second round of volume-based procurement in December 2021 and March 2022 respectively. By June 2022, each alliance member province successively commenced the next round of procurement one after another. The Group continuously won bids for various product models covering ordinary and functional spherical IOLs, aspheric IOLs, preloaded aspheric IOLs, and segmented bifocal IOLs. A stable price system was maintained for products for which the Group won bids, as compared with the first round of volume-based procurement. In the long term, volume-based procurement 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 bidding areas.

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

In the field of myopia prevention and control and management, the Group used its self-developed optical design system based on Contamac’s world-leading gas permeable material to develop new rigid gas permeable contact lenses for orthokeratology lens products. The clinical trials of such products were completed and are currently in the registration and evaluation stage. At the same time, the Group has also started to conduct R&D layout for the new products such as gas permeable scleroscope with myopia correction capabilities.

Meanwhile, the Company, respectively through Hengtai Vision and Nanpeng Optics, which are subsidiaries of the Company, has the right to exclusively distribute “Maierkang myOK”, a high-end Orthokeratology Lens product, “Hiline”, an Orthokeratology Lens product, “Bestivue”, a peripheral defocus lens, and rigid gas permeable (“RGP”) contact lens of Hengtai Optics in mainland China. With more than 40 years of professional experience in the field of corneal contact lenses, Hengtai Optics has deep technical precipitation and a complete layout of intellectual property rights in mainland China and the global market. The “myOK” Orthokeratology Lense product is owns the highest oxygen permeability with 141 DK in China and has 7 Chinese patents. “Hiline” Orthokeratology Lense product have been sold in the Chinese market for more than 10 years, with a high reputation in the industry and brand reputation. The Group entered into an in-depth cooperation with Hengtai Optics and obtained the exclusive distribution rights of all products registered by Hengtai Optics in mainland China, providing a wider choice of optometric products for different consumer segments and expanding the market share and influence of the Group’s Orthokeratology Lense products.

In addition, the Group’s self-developed eye drops product “Eyesucom” is made of exclusive patented ingredients including medical chitosan and sodium hyaluronate, and is packaged in an aseptic packaging method without preservatives. The product has the functions of natural antibacterial, moisturizing and lubricating, promoting the repair of corneal epithelial damage and reducing staining, etc. It can comprehensively protect the eye surface health of the wearers of Orthokeratology Lenses. During the Reporting Period, the sales volume of the Group’s eye drops product “Eyesucom” overcame the impact of the Pandemic and showed a good momentum of growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of refractive correction, the Group's subsidiary Hangzhou Aijinglun is mainly engaged in the R&D, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed "Yijing" Posterior Chamber-Posterior Chamber-Phakic Refractive Lens ("PRL") product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by the NMPA. Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only two such products approved for sale in the Chinese market, and "Yijing" PRL product is the only domestic product and the only choice for patients with severe myopia above 1,800 degrees, and therefore the product is highly scarce. In addition, the Group began the process of upgrading its PRL products after the acquisition of the Hangzhou Aijinglun, with the second generation of the aqueous humor permeable product completed the registration testing stage and will soon enter the clinical trial 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 has formed a business matrix covering four categories, namely hyaluronic acid ("HA") dermal filler, genetic-engineering preparations for epidermal repair, radio frequency devices and laser equipment. The Group has innovative cream botulinum toxin products in the pipeline. Through the multi-level business arrangements, the Group connected three major application scenarios, namely medical aesthetics institutions, life aesthetics and home aesthetics, and was able to meet the comprehensive demand of end customers for medical aesthetics in relation to epidermis, dermis and subcutaneous tissue.

The Group's recombinant human epidermal growth factor ("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 in 2021 continued to rise to 25.95% (2020: 23.84%), continuing narrowing the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as monophasic 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 HA dermal filler. The Group's second-generation HA dermal filler "Janlane" is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. The third-generation HA dermal filler "Hyalumatrix" has the linear non-particle feature and is positioned for high-end consumers by providing the "precise embellishment" function. The Group's HA dermal filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA dermal filler products for injection. At present, the enrollment for all clinical trials of the Group's fourth-generation organic cross-linked HA dermal filler products was completed, and the follow-up for the subjects was being actively promoted.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's revenue of medical aesthetics and wound care products was approximately RMB327.06 million, representing an increase of approximately RMB147.98 million, or 82.64%, as compared to the corresponding period in 2021. The breakdown of the revenue by specific products is as follows:

Item	January-June 2022		January-June 2021		Change (%)
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
HA dermal filler	118,798	12.43	119,112	14.08	-0.26
rhEGF	65,167	6.81	59,962	7.09	8.68
Radio frequency devices and laser equipment	143,092	14.96	-	-	N/A
Total	327,057	34.20	179,074	100.00	82.64

In recent years, the speed of upgrade of medical aesthetics products and related technology has 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 world's second-largest medical aesthetics market. From 2015 to 2019, China's medical aesthetics industry grew rapidly at a compound annual growth rate of 22.5%. In 2019, the market reached RMB143.6 billion, with a low penetration rate of 3.6%. Compared with medical aesthetics markets in other major countries, China's medical aesthetics market is still vast, and the market demand will be continuously released in the next few years.

Leveraging on its highly competitive biomedical materials platforms of HA dermal filler and comprehensive strengths in the technology and quality control, the Group's products, based on their characteristics and efficacy, have established the differentiated positioning and supplementary development, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multidimensional services for medical institutions, practitioners and consumers, and build brand attributes so as to improve the adhesiveness among the brands, medical institutions and consumers. During the Reporting Period, the revenue of the Group from HA dermal filler products was approximately RMB118.80 million, basically in line with the corresponding period in 2021. The domestic production base of the Group's HA dermal filler product lines is located in Shanghai. The production, marketing, shipment and other links, as well as the demand of various medical beauty institutions in Shanghai for HA dermal filler products, were significantly affected by the Pandemic in Shanghai. On the basis of properly carrying out epidemic prevention, the Group actively mobilized its marketing network in China to strive to maintain the product supply, actively resumed its operation and made efforts to reduce the impact after the termination of citywide static management in Shanghai. In addition, Bioxis Pharmaceuticals ("Bioxis"), the Group's HA dermal filler production base in France, gradually released its production capacity and enhanced its ability to meet the demand of overseas markets, thus achieving revenue growth, which partially offset the negative impact of the Pandemic in Shanghai on the revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue of the Group from the radio frequency and laser equipment product line was approximately RMB143.09 million, which was mainly generated by Juva Medical and its subsidiaries. EndyMed Ltd., an Israeli-listed subsidiary of Juva Medical, focuses on RF beauty equipment. Sanhe Laserconn, a subsidiary of Juva Medical, focuses on laser beauty equipment and has its products mainly exported to overseas markets.

Juva Medical has developed internationally leading independent core technologies in the fields of semiconductor laser, biological materials and radio frequency, and has created various core products, including multi-source phase-controlled radio frequency technology. The traditional monopolar radio frequency penetrates more deeply, but the energy flow is not under control in the tissue, resulting in pain and requiring intense cooling. Bipolar radio frequency is safe, without cooling, but the treatment is relatively superficial and inefficient. The multi-source phase-controlled radio frequency technology helps solve relevant technical difficulties. Through energy regulation, the energy is distributed more uniformly, and the skin temperature is controlled to be closer to the temperature of the human body, thus the consumer experience is safer and more comfortable. Meanwhile, the multi-source phase-controlled radio frequency technology enables the deeper penetration of energy and concentration on the deep dermis, so as to achieve the therapeutic effect of skin tightness and improvement.

Orthopedics Products

During the Reporting Period, the revenue of the Group from orthopedics products amounted to approximately RMB177.77 million, representing a decrease of approximately RMB26.94 million or approximately 13.16% as compared to the corresponding period in 2021, mainly because the production bases of the product lines located in Shanghai were greatly affected by the Pandemic in Shanghai; specifically, the medical chitosan (for intra-articular injection) products with their high-end positioning were mainly sold in Beijing, Shanghai and other cities, thus being particularly affected by the Pandemic in Shanghai in the first half of the year. The breakdown of the revenue generated from the sales of orthopedics products by specific products is as follows:

Item	January-June 2022		January-June 2021		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Change (%)
Sodium hyaluronate injection	127,756	13.36	133,863	15.82	-4.56
Medical chitosan used for intra-articular viscosupplement	50,012	5.23	70,845	8.38	-29.41
Total	177,768	18.59	204,708	24.20	-13.16

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intra-articular viscoelastic supplements. Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. At present, there are more than 100 million osteoarthritis patients in China. The Group is the only manufacturer having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. Meanwhile, the water-soluble chitosan technology used in the Group's medical chitosan (for intra-articular viscosupplement) is the exclusive patented technology of the Group, making the product the only intra-articular viscoelastic supplement registered as a Class III medical device in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's medical chitosan product (for intra-articular viscosupplement) and sodium hyaluronate injection product have formed unique therapeutic effects and synergic advantages. With a good pricing system, the product portfolio continued to expand its market share. According to the research reports of Biaodian Medical, in 2021, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for eight consecutive years, with a market share continuously increasing from 43.30% in 2020 to 45.49%.

Anti-adhesion and Hemostasis Products

During the Reporting Period, the Group's anti-adhesion and hemostasis products achieved revenue of approximately RMB83.69 million, decreased by approximately RMB10.94 million as compared to the corresponding period in 2021, representing a decrease of approximately 11.56%. The breakdown of revenue from the sales of anti-adhesion and hemostasis products by specific products is as follows:

Item	January-June 2022		January-June 2021		Change (%)
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	
Medical chitosan used for anti-adhesion	35,470	3.71	49,588	5.87	-28.47
Medical sodium hyaluronate gel	40,036	4.19	34,530	4.08	15.95
Collagen sponge	8,182	0.85	10,513	1.24	-22.17
Total	83,688	8.75	94,631	11.19	-11.56

According to the research report of Biaodian Medical, the Group was the largest supplier of anti-adhesion materials in China, with the share of the anti-adhesion materials market reaching 28.85% in 2021 (2020: 29.90%). During the Reporting Period, due to the Pandemic in Shanghai, the Group's sales of various anti-adhesion and hemostasis products in Shanghai were almost stagnant.

DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

Development Strategy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Plan

In the second half of 2022, the Group will continue to deeply promote the integration of internal resources, and further strengthen the integration of merged and acquired enterprises in all aspects of R&D, production, sales and services, enabling merged and acquired enterprises to quickly integrate into the Group's management system. This aims to maximize synergy, improve operational efficiency, develop innovative technologies, and expand market space, while continuing to enhance core competitiveness.

In the field of ophthalmology, the Group will, by utilizing its superior R&D resources in China, the US, the UK and France and continuing the R&D investment in innovative products, keep promoting the upgrading of product portfolios. In the second half of 2022, the Group will focus on promoting the registration and review of innovative rigid gas permeable Orthokeratology Lens, and clinical trials of casting molded hydrophobic aspheric IOL, hydrophobic toric aspheric IOL, second generation of the aqueous humor permeable refractive lens with crystalline lens, and other important projects, and research and development of multifocal IOL and multifocal toric IOL. In terms of marketing, the Group will pay continuous attention to changes in the policy environment such as volume-based procurement of IOL and medical insurance payment. By making use of the Group's multi-brand product line advantages, channel advantages and cost advantages, the Group has formulated scientific benchmarking strategies to ensure that its IOL series products can achieve good bidding results. Meanwhile, the Group has adjusted sales strategies in time to respond to the new marketing pattern in the post volume-based procurement era. The Group will focus on academic promotion and brand operation in the second half of 2022, to promote the coverage of "Maierkang myOK" (a competitive product in the field of myopia prevention and control) in key institutions and regions, establish a professional academic brand image, and rapidly penetrate the market.

In the field of medical aesthetics and wound care, in the second half of 2022, the Group will take advantage of the efficacy and price positioning of the "Matrifill" and "Janlane" and "Hyalumatrix" series of HA dermal filler products to accelerate the market penetration of the new product "Hyalumatrix" through the extensive sales network. This aims to further expand the market share of the Group's HA dermal filler series products and strengthen the leading position of the Group's domestic HA dermal filler brand for injection. Meanwhile, the Group will leverage its rich experience and competitive research and development platform of absorbable biological materials to explore leading innovative cross-linking technology. In the second half of 2022, the Group will continue to promote the clinical trial of the fourth generation of organic cross-linked HA dermal filler products. The Group will also integrate its advantageous resources with Juva Medical to give full play to the high synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing. Through collaborative R&D, advanced process and exchanges on quality control technology, the Group will strengthen its technological strength and product competitiveness in the field of biological materials and dermatology. In addition, in the second half of 2022, the Group will promote the integration of the domestic and overseas direct sales and e-commerce teams of both parties covering three major application scenarios, namely medical aesthetics, life aesthetics and home aesthetics, to share their respective original customer resources and improve operational efficiency and sales achievement rate.

In the second half of 2022, the Group will continue to use its own funds effectively, deepen the deployment of myopia prevention and control and refractive correction on the basis of the existing full industry chain layout of ophthalmology, and focus on more ophthalmic treatment areas such as ocular surface and fundus. In addition, the Group will explore the fast-growing therapeutic areas such as medical aesthetics, orthopedics and surgery, actively seek advanced technologies and excellent products and take the opportunity to introduce technologies or invest in cooperation, so as to increase the product reserve and achieve long-term sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB956.27 million (the corresponding period in 2021: approximately RMB845.87 million), representing an increase of approximately RMB110.40 million or approximately 13.05% as compared to the corresponding period in 2021. Juva Medical has been included in the scope of consolidation of the Company since September 2021. During the Reporting Period, Juva Medical's radio frequency device and laser equipment product contributed revenue of approximately RMB175.24 million. However, in the first half of 2022, Shanghai and its surrounding cities have been experiencing an extremely serious Pandemic challenges since February, which affected the normal operation of the supply chain and other processes of the Company and its three major production subsidiaries in Shanghai, and their revenue decreased by approximately RMB67.70 million as compared to the corresponding period in 2021, which partially offset the impact of the increase in revenue from the above-mentioned new product lines of the Group.

During the Reporting Period, the overall gross profit margin of the Group was 69.73%, which decreased slightly, compared with 74.37% in the corresponding period in 2021, mainly due to the lower gross profit margin of the radio frequency device and laser equipment industry in which Juva Medical is engaged compared to the Group's original medical high-value consumables industry, and Juva Medical has been included in the scope of consolidation of the Company since September 2021, which lowered the overall gross profit margin of the Group by approximately 3.02% during the Reporting Period; in addition, Nanpeng Optics, a subsidiary of the Company, exclusively distributes the "Hiline" Orthokeratology Lens products of Hengtai Optics in mainland China, the gross profit margin of which is lower than that of the high-value consumables industry in which the Group is originally engaged, thus lowering the overall gross profit margin of the Group by approximately 1.97% during the Reporting Period.

Other Income and Gains

During the Reporting Period, other income and gains of the Group was approximately RMB76.07 million, representing a decrease of approximately RMB14.52 million or approximately 16.03% from approximately RMB90.59 million for the corresponding period of 2021. In the corresponding period of 2021, the Group received dividends in the amount of approximately RMB25.69 million from Shenwu No. 1 Investment Product, while the Group did not receive such dividends during the Reporting Period. In addition, during the Reporting Period, government grants received by the Group and other income recognized due to the acceptance of some government-funded scientific research projects increased by approximately RMB9.18 million compared with the corresponding period in 2021, which partially offset the impact of the aforementioned decrease in dividends.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group was approximately RMB313.46 million, representing an increase of approximately RMB60.36 million or approximately 23.85% from approximately RMB253.10 million for the corresponding period of 2021, which was mainly attributable to the change in the scope of consolidation of the Company. Except for Juva Medical, Nanpeng Optics was included in the scope of consolidation of the Company with effect from 1 January 2022. During the Reporting Period, Juva Medical and Nanpeng Optics incurred selling and distribution expenses of approximately RMB49.44 million and RMB13.90 million, respectively.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group was approximately RMB216.59 million, representing an increase of approximately RMB106.69 million or approximately 97.08% from approximately RMB109.90 million for the corresponding period of 2021, which was mainly attributable to the following factors: 1) during the period from March to May 2022, the production of the Company and its three major production subsidiaries in Shanghai almost came to a halt as a result of the citywide static management of the Pandemic in Shanghai. At the same time, the distribution agreement between the Company's subsidiary in the USA, Aaren, and its original exclusive distributor in Mainland China was terminated, the domestic sales channels of "Aaren" brand IOL products manufactured by Aaren were facing reconsolidation, before which Aaren initiated a phased production shutdown and cost reduction plan. The above situation resulted in a loss on factories' shutdown of approximately RMB48.35 million during the Reporting Period; 2) administrative expenses increased by approximately RMB39.00 million as a result of the inclusion of Juva Medical and Nanpeng Optics into the scope of consolidation of the Company; and 3) the Company and Juva Medical implemented certain equity incentive schemes. Share-based payment expenses of approximately RMB12.07 million were recognised in the administrative expenses during the Reporting Period.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group was approximately RMB76.71 million, representing an increase of approximately RMB3.22 million or approximately 4.38% from approximately RMB73.49 million for the corresponding period in 2021. The growth of R&D expenses was primarily due to the continuous increase of R&D investments of innovative product lines of ophthalmology and medical aesthetics made by the Group. During the Reporting Period, the Group's R&D expenses accounted for 8.02% of its revenue (the corresponding period in 2021: 8.69%), which remained at a high level.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB23.34 million (the corresponding period in 2021: approximately RMB37.33 million), which was primarily due to the decrease of income tax expense as compared to the corresponding period in the previous year as the result of the decrease of the Group's pre-tax profit during the Reporting Period.

Results of the Reporting Period

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB71.03 million (the corresponding period in 2021: approximately RMB231.02 million), representing a decrease of approximately RMB159.99 million or approximately 69.25% compared with the corresponding period in 2021, which was mainly attributable to the following factors: 1) during the Reporting Period, the Pandemic had a significant impact on the supply chain and other processes of the Company and its three subsidiaries in Shanghai, resulting in a decrease in gross profit and loss on shutdown over approximately RMB90.00 million; 2) as the distribution agreement between the Company's subsidiary, Aaren, and its original exclusive distributor in Mainland China was terminated, before the reintegration of domestic sales channels, Aaren initiated a phased production shutdown and cost reduction plan, resulting in an operating loss of approximately RMB14.66 million. And due to signs of impairment, the Group recorded an impairment loss of intangible assets and goodwill of approximately RMB25.00 million in respect of the Aaren business during the Reporting Period; 3) during the Reporting Period, the Company and its subsidiary, Juva Medical, incurred a total share-based payment expense of approximately RMB14.87 million due to the implementation of certain equity incentive schemes, which did not exist in the corresponding period of 2021; and 4) in the corresponding period of 2021, the Group received dividends in the amount of approximately RMB25.69 million from Shenwu No. 1 Investment Product, while the Group did not receive such dividends during the Reporting Period.

During the Reporting Period, the basic earnings per share of the Company were RMB0.41 (the corresponding period in 2021: RMB1.31).

Liquidity and Capital Resources

As at 30 June 2022, the total current assets of the Group were approximately RMB3,711.53 million, which was generally level with that of approximately RMB3,712.59 million as at 31 December 2021.

As at 30 June 2022, the total current liabilities of the Group were approximately RMB645.81 million, representing an increase of approximately RMB158.54 million compared with the amount as at 31 December 2021, which was primarily due to the increase in dividends payable of approximately RMB114.17 million as a result of the approval of the dividend distribution plan at the 2021 annual general meeting of the Company in June 2022. In addition, Nanpeng Optics has been included in the scope of consolidation of the Company since January 2022, resulting in an increase in trade payables of approximately RMB25.91 million at the end of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's current assets to liabilities ratio was approximately 5.75 (31 December 2021: 7.62), representing a slight decrease as compared to that as at the year end of 2021, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 1,866 employees as at 30 June 2022. The breakdown of the total number of employees by function was as follows:

Production	658
R&D	312
Sales and Marketing	580
Finance	88
Administration	228
<hr/>	
Total	1,866

During the Reporting Period, there was no material change in the Group's remuneration policy for its employees, which was still based on their working experience, daily performance, the sales of the Company and external market competition. During the Reporting Period, the total remuneration of the Group's employees amounted to approximately RMB265.42 million.

To further improve the corporate governance structure of the Company, establish and improve the long-term incentive and constraint mechanism, attract and retain the core management, technical or business backbone, fully mobilize their enthusiasm and creativity, effectively enhance the cohesion of the core team and the competitiveness of the Company, and unite the interests of shareholders, the Company and the core team, so that they will pay attention to the long-term development of the Company and ensure the achievement of the Company's development strategies and business objectives, on 29 December 2021, the Board agreed to adopt the proposal of the Company's 2021 A Share Restricted Stock Incentive Scheme, which was approved and adopted by the Shareholders on 7 March 2022. On 11 March 2022, the Board held a meeting and determined 11 March 2022 as the first grant date to grant 1,440,000 Restricted Shares to 204 participants at the grant price of RMB95.00 per A Share in the first grant of Restricted Shares under the Incentive Scheme.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policies

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

Asset Pledge

As at 30 June 2022 and 31 December 2021, the quality guarantee letter issued was secured by the Group's bank deposits of approximately RMB0.62 million. In addition, NIMO, a subsidiary of the Company, obtained banking facility of no more than RMB65.00 million by pledging all of its trade receivables.

Gearing Ratio

As at 30 June 2022, the total liabilities of the Group amounted to approximately RMB1,089.08 million and the gearing ratio (the percentage of total liabilities to total assets) was 15.53%, representing an increase of 2.72 percent from 12.81% as at 31 December 2021, which was mainly due to the increase in total liabilities while total assets remained relatively stable. In addition to the above mentioned increase in total current liabilities as at the end of the Reporting Period as compared to 31 December 2021, the increase in the Group's total non-current liabilities of approximately RMB40.47 million as at the end of the Reporting Period as compared to 31 December 2021 was mainly due to a share redemption option granted by the Company to the minority shareholders of Nanpeng Optics in connection with the Nanpeng Optics merger and acquisition transaction. In accordance with the relevant accounting standards, the Group recognised a non-current liability of approximately RMB39.75 million in relation to the share redemption option on 30 June 2022. The combined effect of these factors has increased the gearing ratio of the Group.

Cash and Cash Equivalents

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB973.23 million, representing a decrease of approximately RMB310.66 million from that of approximately RMB1,283.89 million as at 31 December 2021. The decrease was mainly attributable to net cash outflows used in investing activities and financing activities of approximately RMB324.46 million and RMB101.94 million, respectively, which were partially offset by net cash inflows generated from operating activities of approximately RMB114.76 million during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Borrowings

As at 30 June 2022, NIMO and Bioxis (subsidiaries of the Company), had interest-bearing bank borrowings of approximately RMB26.03 million and EUR0.74 million (equivalent to approximately RMB5.22 million) respectively. As at 31 December 2021, NIMO and Bioxis had interest-bearing bank borrowings of approximately RMB25.18 million and EUR0.68 million (equivalent to approximately RMB4.91 million) respectively.

Future Plans for Material Investments and Capital Assets

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

Significant Investment, Material Acquisitions or Disposal of Subsidiaries, Associates and Joint Ventures

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

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 30 June 2022, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	956,267	845,874
Cost of sales		(289,484)	(216,790)
Gross profit		666,783	629,084
Other income and gains, net	4	76,072	90,593
Selling and distribution expenses		(313,456)	(253,098)
Administrative expenses		(216,585)	(109,899)
Impairment losses on financial assets		(8,615)	(2,932)
Research and development costs		(76,711)	(73,486)
Other expenses		(28,990)	(4,511)
Finance costs		(2,572)	(1,602)
Share of profits and losses of:			
a joint venture		1,350	–
an associate		151	119
PROFIT BEFORE TAX	5	97,427	274,268
Income tax expense	6	(23,337)	(37,332)
PROFIT FOR THE PERIOD		74,090	236,936
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(3,868)	(4,125)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		(3,868)	(4,125)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		(40,793)	115,000
Income tax effect		3,347	(1,152)
		(37,446)	113,848
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(37,446)	113,848
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(41,314)	109,723
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32,776	346,659
Profit attributable to:			
Owners of the parent		71,030	231,023
Non-controlling interests		3,060	5,913
		74,090	236,936
Total comprehensive income attributable to:			
Owners of the parent		30,662	340,149
Non-controlling interests		2,114	6,510
		32,776	346,659
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the period	8	0.41	1.31

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,228,424	1,197,037
Right-of-use assets		202,096	214,800
Other intangible assets	10	663,765	613,397
Goodwill		411,522	406,901
Investment in a joint venture		27,474	47,964
Investment in an associate		3,327	3,448
Equity investments designated at fair value through other comprehensive income	11	591,155	573,935
Deferred tax assets		54,927	49,356
Other non-current assets	12	120,647	130,932
Total non-current assets		3,303,337	3,237,770
CURRENT ASSETS			
Inventories	13	410,484	354,765
Trade and bills receivables	14	416,506	375,206
Prepayments, other receivables and other assets	15	80,407	74,837
Financial assets at fair value through profit or loss		6,669	6,376
Pledged deposits	16	614	614
Cash and bank balances	16	2,796,853	2,900,788
Total current assets		3,711,533	3,712,586
CURRENT LIABILITIES			
Trade payables	17	73,596	46,264
Other payables and accruals	18	504,927	397,329
Interest-bearing bank and other borrowings	19	39,808	42,421
Tax payable		27,480	1,258
Total current liabilities		645,811	487,272
NET CURRENT ASSETS		3,065,722	3,225,314
TOTAL ASSETS LESS CURRENT LIABILITIES		6,369,059	6,463,084

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 JUNE 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	33,996	39,493
Other payables and accruals	18	4,500	8,110
Deferred tax liabilities		170,663	157,910
Deferred income		6,483	9,402
Provision		1,763	1,765
Other non-current liabilities		225,863	186,118
Total non-current liabilities	4	443,268	402,798
NET ASSETS		5,925,791	6,060,286
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		175,822	175,822
Treasury shares	20	(73,631)	–
Reserves		5,437,265	5,537,639
Non-controlling interests		5,539,456	5,713,461
		386,335	346,825
Total equity		5,925,791	6,060,286

Hou Yongtai
Director

Tang Minjie
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to ordinary equity holders of the parent									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium account*	Fair value reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020 and 1 January 2021	177,207	(28,263)	3,259,803	35,606	88,923	590	(264)	1,957,149	5,490,751	243,494	5,734,245
Profit for the period	-	-	-	-	-	-	-	231,023	231,023	5,913	236,936
Other comprehensive income for the period:											
Net gain on equity instruments at fair value through other comprehensive income	-	-	-	113,848	-	-	-	-	113,848	-	113,848
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,722)	-	-	(4,722)	597	(4,125)
Total comprehensive income for the period	-	-	-	113,848	-	(4,722)	-	231,023	340,149	6,510	346,659
Repurchase of H shares	-	(44,908)	-	-	-	-	-	-	(44,908)	-	(44,908)
Retirement of H shares	(585)	28,263	(27,678)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	47,121	47,121
Acquisition of non-controlling interests	-	-	(20,634)	-	-	-	-	-	(20,634)	(32,784)	(53,418)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	2,000	2,000
Dividends declared	-	-	-	-	-	-	-	(87,911)	(87,911)	-	(87,911)
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income	-	-	-	(82,984)	-	-	-	82,984	-	-	-
As at 30 June 2021	176,622	(44,908)	3,211,491	66,470	88,923	(4,132)	(264)	2,183,245	5,677,447	266,341	5,943,788

* These reserve accounts comprise the consolidated reserves of approximately RMB5,545,733,000 (unaudited) (31 December 2020: RMB5,341,807,000 (audited)) in the consolidated statement of financial position.

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to ordinary equity holders of the parent									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium account*	Fair value reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021 and 1 January 2022	175,822	-	3,091,122	61,243	88,923	(13,110)	(264)	2,309,725	5,713,461	346,825	6,060,286
Profit for the period	-	-	-	-	-	-	-	71,030	71,030	3,060	74,090
Other comprehensive income for the period:											
Net loss on equity instruments at fair value through other comprehensive income	-	-	-	(37,446)	-	-	-	-	(37,446)	-	(37,446)
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,922)	-	-	(2,922)	(946)	(3,868)
Total comprehensive income for the period	-	-	-	(37,446)	-	(2,922)	-	71,030	30,662	2,114	32,776
Repurchase of H shares	-	(73,631)	-	-	-	-	-	-	(73,631)	-	(73,631)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	53,123	53,123
Share redemption option granted to non-controlling shareholders of a subsidiary	-	-	(24,018)	-	-	-	-	-	(24,018)	(15,727)	(39,745)
Equity-settled share-based payments of the Company	-	-	8,373	-	-	-	-	-	8,373	-	8,373
Share-based payments granted by a subsidiary	-	-	6,500	-	-	-	-	-	6,500	-	6,500
Dividends declared	-	-	-	-	-	-	-	(121,891)	(121,891)	-	(121,891)
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income	-	-	-	(646)	-	-	-	646	-	-	-
As at 30 June 2022	175,822	(73,631)	3,081,977	23,151	88,923	(16,032)	(264)	2,259,510	5,539,456	386,335	5,925,791

* These reserve accounts comprise the consolidated reserves of approximately RMB5,437,265,000 (unaudited) (31 December 2021: RMB5,537,639,000 (audited)) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	130,067	155,054
Income tax paid	(15,303)	(34,262)
Net cash inflows from operating activities	114,764	120,792
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	41,704	50,290
Interest income received from financial assets at fair value through profit or loss	69	303
Dividends received from equity investments at fair value through other comprehensive income	470	26,263
Purchases of items of property, plant and equipment	(114,713)	(107,576)
Purchase of debt investments	–	(61,371)
Purchase of financial assets at fair value through profit or loss	(28,960)	(6,460)
Purchase of other intangible assets	(674)	(504)
Purchase of right-of-use assets	(6,140)	–
Proceeds from disposal of items of property, plant and equipment	43	23
Payment for acquisition of subsidiaries	(2,936)	(10,864)
Payment for liabilities arising from the acquisition of subsidiaries	(5,390)	–
Purchases of equity investments designated at fair value through other comprehensive income	(66,373)	(63,000)
Proceeds from disposal of financial assets at fair value through profit or loss	28,960	15,145
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	8,360	124,762
Proceeds from disposal of investment in a joint venture	21,840	–
Compensation derived from the relocation of aborted plant	5,000	–
Increase in time deposits with original maturity of three months or more when acquired	(205,721)	(768,397)
Net cash flows used in investing activities	(324,461)	(801,386)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		23,798	14,991
Repayment of bank borrowings		(28,231)	(56,373)
Proceeds from release of pledged deposits for bank borrowings		–	50,000
Interest paid		(861)	(616)
Principal portion of lease payments		(7,337)	(7,187)
Dividends paid to non-controlling shareholders		(5,300)	–
Repurchase of H shares		(73,631)	(44,908)
Repayment of loan from non-controlling shareholders of a subsidiary		(22,376)	–
Capital contribution from non-controlling shareholders of a subsidiary		12,000	2,000
Net cash flows used in financing activities		(101,938)	(42,093)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		1,283,893	1,327,887
Effect of foreign exchange rate changes, net		972	(1,183)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		973,230	604,017
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and pledged deposits as stated in the statement of financial position	16	2,797,467	3,137,898
Time deposits with original maturity of more than three months when acquired	16	(1,823,623)	(2,533,267)
Pledged deposits for bank borrowings	16	(614)	(614)
Cash and cash equivalents as stated in the statement of cash flows		973,230	604,017

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE AND GROUP INFORMATION

Shanghai Haohai Biological Technology Co., Ltd. (the “**Company**”) was established as a limited liability company on 24 January 2007 in the People’s Republic of China (the “**PRC**”), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 (“**A Share Offering**”). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the “**SSE**”) since 30 October 2019. Total number of issued shares of the Company after the A Share Offering was 177,845,300 shares (comprising 40,045,300 H Shares and 137,800,000 A Shares). In 2020, the Company repurchased 1,223,200 H Shares, among which, 638,700 H Shares were cancelled on 3 July 2020, and 584,500 H Shares were cancelled on 19 March 2021. In 2021, the Company repurchased 800,000 H Shares as treasury shares which were cancelled on 14 July 2021. During the six months ended 30 June 2022 (the “**Reporting Period**”), the Company repurchased 1,692,100 H Shares as treasury shares which were cancelled on 7 July 2022.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 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 June 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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, the manufacture and sale of biologicals, medical hyaluronate and intraocular lens, research and development of biological engineering and pharmaceutical products and the provision of related services. Therefore, management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	787,631	753,928
United States of America ("USA")	45,810	38,914
United Kingdom ("UK")	9,281	4,760
Other regions and countries	113,545	48,272
	956,267	845,874

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

(b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Mainland China	2,103,483
USA	121,648	81,608
UK	244,548	260,989
Other regions and countries	187,576	192,808
	2,657,255	2,614,479

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

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the Reporting Period (six months ended 30 June 2021: none).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	956,267	845,874

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Type of goods sold		
Ophthalmology products	354,161	354,409
Medical aesthetics and wound care products	327,057	179,074
Orthopedics products	177,768	204,708
Anti-adhesion and hemostasis products	83,688	94,631
Other products	13,593	13,052
Total	956,267	845,874
Timing of revenue recognition		
Goods transferred at a point in time	956,267	845,874

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	42,166	16,162

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligation

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

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

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	42,062	50,290
Government grants (note)	20,513	11,334
Dividend income from equity investments at fair value through other comprehensive income	470	26,263
Interest income from debt investment	1,233	626
Foreign exchange gains, net	4,658	–
Others	7,136	2,080
	76,072	90,593

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	289,484	216,790
Depreciation of property, plant and equipment (note 9)	55,045	38,438
Depreciation of right-of-use assets	7,569	6,915
Amortisation of other intangible assets (note 10)	34,225	18,953
Research and development costs	76,711	73,486
Lease payments not included in the measurement of lease liabilities	468	480
Employee benefit expenses:		
– Wages and salaries	232,651	150,217
– Pension scheme contributions	17,894	10,760
– Share-based payment expenses	14,873	–
Foreign exchange differences, net	(4,658)	3,217
Provision of impairment losses on financial assets	8,615	2,932
Write-down of inventories to net realisable value	367	–
Provision for impairment of other intangible assets	15,774	–
Provision for impairment of goodwill	9,226	–
Loss on factories' down time	48,352	–
Bank interest income (note 4)	(42,062)	(50,290)
Dividend income from equity investments at fair value through other comprehensive income (note 4)	(470)	(26,263)
Interest income from debt investment (note 4)	(1,233)	(626)
Net (gain)/loss on disposal of items of property, plant and equipment	(13)	24

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

6. INCOME TAX

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

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

Hangzhou Aijinglun Technology Co., Ltd. (“**Hangzhou Aijinglun**”) and Sanhe Laserconn Technology Company Limited (“**Sanhe Laserconn**”) were accredited with HNTE Status effective for the three years from 2019 to 2021 by the relevant authorities. During the Reporting Period, Hangzhou Aijinglun and Sanhe Laserconn are in the process of HNTE Status renewal for the next three years from 2022 to 2024. Based on the experiences and current feedback from the authorities, the Directors believe that the renewal would be successful. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for Hangzhou Aijinglun and Sanhe Laserconn.

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

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

The profits tax for subsidiaries in the USA has been provided at the rate of 21% (six months ended 30 June 2021: 21%) on the estimated assessable profits arising in the USA during the Reporting Period.

The profits tax for subsidiaries in the UK has been provided at the rate of 19% (six months ended 30 June 2021: 19%) on the estimated assessable profits arising in the UK during the Reporting Period.

The profits tax for subsidiaries in France has been provided at the rate of 28% (six months ended 30 June 2021: 28%) on the estimated assessable profits arising in France during the Reporting Period.

The profits tax for subsidiaries in Israel has been provided at the rate of 23% on the estimated assessable profits arising in Israel during the Reporting Period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

6. INCOME TAX (Continued)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current		
Charge for the period	39,175	37,967
Over/(under) provision in prior periods	(317)	1,007
Deferred	(15,521)	(1,642)
Total tax charge for the period	23,337	37,332

7. DIVIDENDS

The proposed final dividend of RMB0.70 (inclusive of tax) per ordinary share of the Company for the year ended 31 December 2021 was declared payable by the shareholders of the Company at the annual general meeting of the Company on 29 June 2022.

The Directors do not recommend the distribution of an interim dividend in respect of the six months period ended 30 June 2022 (six months ended 30 June 2021: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 174,412,017 (for the six months period ended 30 June 2021:177,012,817) in issue during the Reporting Period.

During the Reporting Period, the Company granted certain restricted shares to eligible participants pursuant to the Company's 2021 restricted A share incentive scheme. Restricted shares are included in the determination of diluted earnings per share to the extent to which they are dilutive. The 1,440,000 restricted shares granted on 11 March 2022 were not included in the calculation of diluted earnings per share for the Reporting Period because they were antidilutive.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

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

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	71,030	231,023
<u>Shares</u>		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	174,412,017	177,012,817

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Carrying amount at beginning of the period	1,197,037	978,017
Additions	89,670	127,537
Acquisition of subsidiaries (note 22)	1,168	22,762
Disposals	(417)	(47)
Depreciation provided during the period	(55,045)	(38,438)
Exchange realignment	(3,989)	291
Carrying amount at end of the period	1,228,424	1,090,122

As at 30 June 2022 and 31 December 2021, no property, plant and equipment were pledged.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

10. OTHER INTANGIBLE ASSETS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Carrying amount at beginning of the period	613,397	404,332
Additions	653	504
Acquisition of subsidiaries (note 22)	102,165	37,651
Amortisation provided during the period	(34,225)	(18,953)
Impairment provision	(15,774)	–
Exchange realignment	(2,451)	(181)
Carrying amount at end of the period	663,765	423,353

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Equity investments designated at fair value through other comprehensive income	
Listed equity investments, at fair value		
Union Medical Healthcare Limited	37,394	50,286
Raily Aesthetic Medicine International Holdings Ltd.	8,253	12,060
Aesthetic Medical International Holdings Group Limited	3,574	5,547
	49,221	67,893
Unlisted equity investments		
Shenwu No.1 Investment Product	313,545	290,329
Shanghai Semecell Technology Co., Ltd.	80,000	80,000
Recros Medica, Inc.	53,691	51,006
ArcScan, Inc.	47,987	46,347
Jiangsu Meifengli Medical Technology Co., Ltd.	12,000	12,000
Shanghai Resthetic Biotechnology Co., Ltd.	10,000	10,000
Shanghai Zhongying Clinic Co., Ltd.	10,000	–
Jiangsu Meisikang Medical Technology Co., Ltd.	8,000	8,000
Ornovi, Inc.	6,711	–
Shanghai Lunsheng Information Technology Co., Ltd. (“Shanghai Lunsheng”)	–	8,360
	541,934	506,042
	591,155	573,935

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

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

During the Reporting Period, the Group disposed of all the investment in Shanghai Lunsheng. The fair value on the date of sale was approximately RMB8,360,000 and the accumulated gain recognised in other comprehensive income of approximately RMB646,000 was transferred to retained earnings. During the Reporting Period, the Group received dividends in the amount of RMB470,000 from Union Medical Healthcare Limited.

12. OTHER NON-CURRENT ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments for property, plant and equipment	28,420	6,831
Prepayments for potential acquisitions	66,989	97,437
Other non-current assets*	25,238	26,664
	120,647	130,932

* Long-term receivables from the companies controlled by the non-controlling interests of JUVA MEDICAL Group arising before acquisition. The controlling shareholder of the Group, Mr. Jiang Wei, is still proactively taking efforts to collect the receivables and promised to pay off the part which has not been collected back as of December 31, 2024.

13. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	148,100	129,310
Work in progress	59,209	49,123
Finished goods	121,208	134,466
Merchandises	85,249	45,006
	413,766	357,905
Less: provision for inventories	3,282	3,140
	410,484	354,765

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

14. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bills receivable	15,977	4,702
Trade receivables	435,302	397,237
Impairment	(34,773)	(26,733)
	416,506	375,206

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	402,797	370,085
1 to 2 years	12,333	5,010
2 to 3 years	1,376	111
	416,506	375,206

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments	60,519	55,656
Deposits and other receivables	20,209	14,490
Compensation derived from the relocation of aborted plant	2,000	7,000
Impairment	(2,321)	(2,309)
	80,407	74,837

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

16. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances and pledged deposits	2,797,467	2,901,402
Time deposits with original maturity of more than three months when acquired	(1,823,623)	(1,616,895)
	973,844	1,284,507
Less: Pledged time deposits:		
Guarantee deposits	614	614
Cash and cash equivalents	973,230	1,283,893

17. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	73,596	46,264

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	66,861	38,726
3 months to 1 year	3,308	1,062
Over 1 year	3,427	6,476
	73,596	46,264

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

18. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current:		
Payroll and welfare payable	68,351	78,698
Payables related to:		
Government grants received	60,303	60,907
Purchases of property, plant and equipment	19,477	22,447
Deposits received	28,906	28,923
Others	39,262	40,450
Accrued expenses	85,712	79,277
Contract liabilities – short-term advances received from customers	53,769	46,509
Other taxes payable	30,071	16,521
Payables for acquisition of the subsidiaries and contingent consideration	3,504	–
Dividend payable	114,170	–
Loan from non-controlling interest of a subsidiary	1,402	23,597
	504,927	397,329
Non-current:		
Payables for acquisition of a subsidiary as contingent consideration	4,500	8,110

The above current balances were non-interest-bearing and repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current			
Bank loans:			
– Pledged	(1)	24,033	25,184
– Unsecured		2,000	–
Current portion of long term other loans			
– Unsecured	(2)	154	130
Lease liabilities		13,621	17,107
		39,808	42,421
Non-Current			
Bank loans:			
– Guaranteed	(3)	5,218	4,914
Other loans:			
– Unsecured	(2)	182	282
– Guaranteed	(3)	4,205	4,689
Lease liabilities		24,391	29,608
		33,996	39,493
		73,804	81,914
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand		26,033	25,184
In the second year		2,065	2,056
In the third to fifth years, inclusive		3,153	2,858
		31,251	30,098
Other borrowings repayable:			
Within one year or on demand		13,775	17,237
In the second year		8,810	11,692
In the third to fifth years, inclusive		13,652	17,094
Beyond five years		6,316	5,793
		42,553	51,816
		73,804	81,914

The bank loans bear interest at rates ranging from 0.73% to 4.06% (31 December 2021: 0.89% to 2.80%) per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

19. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

- (1) The pledged bank loans represent the loans in USD obtained by NIMO to settle accounts payables with interest rate of 2.07%. NIMO entered into credit facilities with China Merchants Bank and Bank of China which permit NIMO to borrow up to RMB65,000,000. According to the credit facilities, all the trade receivables of NIMO were pledged.
- (2) The unsecured other loan represents an interest-free government loan obtained by ODC.
- (3) The guaranteed bank and other loans represent the loans obtained by Bioxis guaranteed by the government.

20. TREASURY SHARES

During the Reporting Period, the Company repurchased 1,692,100 H Shares, which accounted for approximately 0.9624% of the Company's total share capital, at a total consideration of approximately HK\$90,153,000 (equivalent to RMB73,631,000). These H Shares were cancelled on 7 July 2022.

21. BUSINESS COMBINATION

On 1 January 2022, the Group acquired a 51% interest in Xiamen Nanpeng Optics Co., Ltd. ("Nanpeng Optics") from third parties. The acquisition was made as part of the Group's strategy to expand its product portfolio of the ophthalmology product line. The purchase consideration for the acquisition was RMB70,000,000, among which, RMB35,000,000 was paid in 2021 and classified as other non-current assets, and the remaining RMB35,000,000 was paid during the Reporting Period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

21. BUSINESS COMBINATION (Continued)

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

	Notes	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment	9	1,168
Other intangible assets	10	102,165
Cash and bank balances		32,064
Trade receivables		21,531
Prepayments, other receivables and other assets		20,976
Inventories		4,107
Trade payables		(13,257)
Other payable and accruals		(27,129)
Interest bearing bank borrowings		(5,000)
Tax payable		(2,479)
Deferred tax liabilities		(25,731)
Total identifiable net assets at fair value		108,415
Non-controlling interests		(53,123)
Goodwill on acquisition		14,708
Total purchase consideration		70,000
Satisfied by		
Cash		35,000
Other non-current assets		35,000
		70,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB21,531,000 and RMB13,242,000 respectively. No impairment allowances were provided for the trade receivables and other receivables as at the date of acquisition.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

21. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of Nanpeng Optics is as follows:

	RMB'000
Cash consideration	35,000
Cash and bank balances acquired	(32,064)
Net outflow of cash and cash equivalents included in cash flows from investing activities	2,936

Since the acquisition, Nanpeng Optics contributed RMB62,151,000 to the Group's revenue and net profit of RMB5,483,000 to the consolidated profit or loss for the Reporting Period.

22. CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any contingent liabilities.

23. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	394,518	470,565

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 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. As of this reporting date, the agreed materials for the closing milestone have submitted to the Company in succession by Eirion and the Company has started to submit foreign investment applications and materials to relevant government departments. Therefore, the agreed equity payment corresponding to the Series A Preferred Shares was expected to be completed in 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

24. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Reporting Period:

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<u>Purchases</u>			
Haohai Technology (Changxing) Co., Ltd.	(i)	1,681	2,662
<u>Sales</u>			
Lifeline Medical Devices Private Limited ("Lifeline")	(ii)	1,090	972

Notes:

- (i) During the Reporting Period, the Group purchased the production accessories of approximately RMB1,681,000 from Haohai Technology (Changxing) Co., Ltd., a company controlled by the Controlling Shareholders. The Directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances.
- (ii) During the Reporting Period, the Group sold semi buttons of GBP130,000 (approximately RMB1,090,000) to the associate, Lifeline.
- (b) Other transactions with related parties:

In 2021, the Company entered into rental agreements to rent the rooms in Shanghai, China with a total building area of 329.77 square metres at an annual rental fee of RMB350,000 and the other rooms in Shanghai, China with the same total building area at an annual rental fee of RMB350,000 with a lease period from 1 January 2021 to 31 December 2023 from Shanghai Haohai Chemical Company Limited and Ms. You Jie, respectively. The total rental fee amounted to RMB350,000 for the Reporting Period (six months ended 30 June 2021: RMB350,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

24. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	2,835	2,809
Pension scheme contributions	572	242
Share-based payments	1,715	–
	5,122	3,051

25. FAIR VALUE AND FAIR VALUE HIERARCHY

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The corporate finance department headed by the chief financial officer (the “CFO”) is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

25. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	9,605	9,885	9,628	9,932
Financial liabilities included in other payables and accruals-contingent consideration	8,004	8,110	8,004	8,110

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	6,669	6,669
Trade and bills receivable	–	15,977	–	15,977
Equity investments designated at fair value through other comprehensive income	49,221	313,545	228,389	591,155
	49,221	329,522	235,058	613,801

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

25. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2021 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	6,375	6,375
Trade and bills receivable	–	4,702	–	4,702
Equity investments designated at fair value through other comprehensive income	67,893	290,329	215,713	573,935
	67,893	295,031	222,088	585,012

Liabilities measured at fair value:

As at 30 June 2022 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other non-current liabilities	–	–	225,863	225,863
Financial liabilities included in other payables and accruals-contingent consideration	–	8,004	–	8,004
	–	8,004	225,863	233,867

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

25. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

As at 31 December 2021 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other non-current liabilities	–	–	186,118	186,118
Financial liabilities included in other payables and accruals-contingent consideration	–	8,110	–	8,110
	–	8,110	186,118	194,228

Liabilities for which fair values are disclosed:

As at 30 June 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	9,628	–	9,628

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

25. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2021 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	9,932	–	9,932

26. EVENTS AFTER THE REPORTING PERIOD

On 7 July 2022, the Company cancelled the repurchased 1,692,100 H shares as further set out in note 20 to the interim condensed consolidated financial statements, pursuant to which, the number of issued shares of the Company as at the date of this report was 174,130,000 shares, comprising 137,800,000 A shares and 36,330,000 H shares.

There was no other material subsequent event undertaken by the Group after 30 June 2022.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 26 August 2022.

INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2022 were published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.3healthcare.com) on 26 August 2022 for information disclosure.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

SHARE CAPITAL

Share capital of the Company as at 30 June 2022 was as follows:

Nature of Share	Number of Shares	Approximate percentage of total issued share capital
A Shares	137,800,000	78.375%
H Shares	38,022,100	21.625%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At the 2020 annual general meeting, the 2021 first A Shareholders' class meeting and the 2021 first H Shareholders' class meeting of the Company held on 11 June 2021, 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 1,692,100 H Shares on the Stock Exchange during the period from 30 December 2021 to 17 January 2022, using a total amount of approximately HK\$89,803,495 of which 1,601,700 H Shares were repurchased by the Company on the Stock Exchange during the Reporting Period, using a total amount of approximately HK\$85,262,530. On 7 July 2022, the Company cancelled the 1,692,100 H Shares repurchased. After the cancellation, the total number of Shares was 174,130,000, comprising 137,800,000 A Shares and 36,330,000 H Shares.

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

SIGNIFICANT SUBSEQUENT EVENT

Please refer to note 26 to the Interim Condensed Consolidated Financial Statements in this report for the details of significant subsequent event of the Group.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, to the best knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, chief executives or Supervisors of the Company) in the shares or underlying Shares, which were required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Hong Kong Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Hong Kong Stock Exchange.

Substantial Shareholders Holding A Shares of the Company

Name	Number of A Shares (shares)	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Jiang Wei ⁽¹⁾	44,449,000 (L)	32.26	25.28	Beneficial owner
	28,800,000 (L)	20.90	16.38	Interest of spouse
	6,471,000 (L)	4.70	3.68	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanxi Corporate Management Limited Company ⁽²⁾	6,471,000 (L)	4.70	3.68	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) ⁽²⁾	6,471,000 (L)	4.70	3.68	Beneficial owner
Lou Guoliang	7,125,075 (L)	5.17	4.05	Beneficial owner

Notes: L denotes long position

- Mr. Jiang Wei directly holds 44,449,000 A Shares in the Company. He is the spouse of Ms. You Jie, the non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 A Shares held by Ms. You Jie in the Company. He holds 6,471,000 A Shares in the Company through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company.
- Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.

Substantial Shareholders Holding H Shares of the Company

Name	Number of H Shares (shares)	Approximate percentage of total issued H Shares (%)	Approximate Percentage of total issued share capital (%)	Capacity in which interests are held
Kabouter Management LLC ⁽¹⁾	1,246,075 (L)	3.28	0.71	Investment Manager
	1,755,572 (L)	4.62	1.00	Interest of corporation controlled by the substantial shareholder
Templeton Investment Counsel, LLC	2,625,700 (L)	6.91	1.49	Investment Manager
Royal Bank of Canada	2,338,000 (L)	6.15	1.33	Interest of corporation controlled by the substantial shareholder
Dalton Investments LLC	2,274,100 (L)	5.98	1.29	Investment Manager
The Bank of New York Mellon Corporation ⁽²⁾	2,090,260 (L)	5.50	1.19	Interest of corporation
	1,982,545 (P)	5.21	1.13	controlled by the substantial shareholder
Prudence Investment Management (Hong Kong) Limited	1,969,600 (L)	5.18	1.12	Investment Manager

Notes: L denotes long position, P denotes lending pool

- Under the SFO, Kabouter Management LLC was deemed to have interest in long position of 1,755,572 H Shares (both Kabouter International Insight Fund, LLC and Kabouter Emerging Markets Fund, LLC were wholly owned by Kabouter Management LLC, and was beneficially holding long position of 1,636,782 H Shares and long position of 118,790 H Shares in the Company, respectively).
- The Bank of New York Mellon was wholly owned by The Bank of New York Mellon Corporation, and therefore, The Bank of New York Mellon Corporation was deemed to have interest in long position of 2,090,260 H Shares in the Company held by The Bank of New York Mellon under the SFO.
- The above disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Saved as disclosed above, as at 30 June 2022, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying Shares, which were required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of Listing Rules were as follows:

Name	Approximate percentage of		Number of A Shares (shares)	Restricted Shares ⁽¹⁾ (shares)	Approximate	Approximate	Capacity in which interests are held
	Number of H Shares (shares)	total issued H Shares (%)			percentage of total issued A Shares (%)	percentage of total issued share capital (%)	
Hou Yongtai			5,982,000 (L)	50,000 (L)	4.38	3.43	Beneficial owner
Wu Jianying			6,000,000 (L)	70,000 (L)	4.40	3.45	Beneficial owner
Chen Yiyi			400,000 (L)	50,000 (L)	0.33	0.26	Beneficial owner
Tang Minjie	7,000 (L)	0.02		50,000 (L)	0.04	0.03	Beneficial owner
You Jie ⁽²⁾			28,800,000 (L)		20.90	16.38	Beneficial owner
			50,920,000 (L)		36.95	28.96	Interest of spouse
Huang Ming			2,000,000 (L)		1.45	1.14	Beneficial owner
Liu Yuanzhong			2,000,000 (L)		1.45	1.14	Beneficial owner
Wei Changzheng ⁽³⁾				2,000 (L)	0.001	0.001	Interest of spouse

Notes: L denotes long position

- On 11 March 2022, the Board resolved to grant 1,440,000 Restricted Shares to 204 Participants at the grant price of RMB95.00 per A Share on the Grant Date, being 11 March 2022, pursuant to the Company's 2021 Restricted A Share Incentive Scheme. As at 30 June 2022, such Restricted Shares have not yet been attributed.
- Ms. You Jie directly holds 28,800,000 A Shares in the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 44,449,000 A Shares directly held by Mr. Jiang Wei and 6,471,000 A Shares held through Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) in the Company.
- 2,000 Restricted Shares were granted to the spouse of Mr. Wei Changzheng, a Supervisor, pursuant to the Company's 2021 Restricted A Share Incentive Scheme. And therefore Mr. Wei Changzheng is deemed under the SFO to be interested in the 2,000 Restricted Shares.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2022, none of the other Directors, Supervisors or chief executives of the Company or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference. With effect from 29 June 2022, Ms. Li Yingqi has resigned as an independent non-executive director of the Company and ceased to be the chairman of the Audit Committee. On 29 June 2022, Mr. Guo Yongqing was appointed as an independent non-executive director of the Company and act as the chairperson of the Audit Committee. As at the date of this report, the Audit Committee comprises of five Directors, namely Mr. Guo Yongqing (Chairman), Ms. You Jie, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting procedures, risk management and internal control systems, and the environmental, social and governance work of the Group.

During the Reporting Period, the Audit Committee held meetings on 26 March 2022 and 29 April 2022 to mainly consider the Group’s audited consolidated financial statements for the year ended 31 December 2021 and the unaudited consolidated financial statements for the three months ended 31 March 2022. The Audit Committee held a meeting on 26 August 2022 to review the unaudited consolidated financial statements, interim results and the interim report of the Group for the six months ended 30 June 2022 and agreed with the accounting treatments adopted by the Company.

OTHER INFORMATION

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The changes in the information of Directors and Supervisors since the date of the Company's 2021 annual report are set out below:

Name	Details of Change
Ms. Li Yingqi	retired as an independent non-executive Director and all positions in each of the special committees under the Board on 29 June 2022
Mr. Guo Yongqing	elected as an independent non-executive Director, the chairman of the Audit Committee, a member of the nomination committee and the remuneration and review committee of the Company on 29 June 2022; and retired as an independent director at Yango Group Co., Ltd. (陽光城集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000671), on 23 August 2022
Mr. Su Zhi	elected as an external supervisor of Bank of Communications Co., Ltd., which is listed on both the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328), on 28 June 2022
Ms. Chen Yiyi	retired as a director of Hebei Xinshikang Contact Lens Co., Ltd. (河北鑫視康隱形眼鏡有限公司, "Hebei XSK") in July 2022
Mr. Wu Jianying	retired as the chairman of the board of Hebei XSK in July 2022; retired as the general manager of Shanghai Likangrui, a subsidiary of the Company, and elected as the chairman of the board of Shanghai Likangrui in August 2022
Dr. Hou Yongtai	elected as a director of Shanghai Likangrui in August 2022
Mr. Huang Ming	retired as a supervisor of Shanghai Likangrui in August 2022
Mr. Yang Linfeng	retired as a staff-representative Supervisor on 29 June 2022
Ms. Song Xiao	elected as a staff-representative Supervisor on 29 June 2022, and elected as the supervisor of Shanghai Likangrui in August 2022

Apart from above, there is no change in information of the Directors, Supervisors or chief executive of the Company which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

COMPLIANCE WITH THE MODEL CODE

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, none of the Directors or Supervisors or their respective associates (as defined in the Hong Kong Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. So far as the Directors are aware, there is no material litigation or claims which are pending or threatened against the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations pursuant to Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

By order of the Board
Chairman
Hou Yongtai

Shanghai, the PRC, 26 August 2022

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the following meanings.

“A Share(s)”	ordinary shares in the share capital of the Company with a par value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the SSE and traded in RMB , including among others, ordinary shares issued under the A Share Offering
“A Share Offering”	the Company’s initial public offering of 17.8 million A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“Board”	the board of Directors of the Company
“Company” or “Haohai Biological”	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 PRC with limited liability and its H Shares and A shares are listed on the Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the SSE (Stock Code: 688366), respectively
“Contamac Group”	Contamac Holdings Limited and its subsidiaries
“Contamac Holdings”	Contamac Holdings limited, established in UK on 13 October 2009. As at the date of this report, the Company indirectly holds 79% of its equity interest
“CSRC”	China Securities Regulatory Commission
“Directors”	directors of the Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Aijinglun”	Hangzhou Aijinglun Technology Co., Ltd., (杭州愛晶倫科技有限公司), a company established in the PRC in January 2015. Since April 2020, the Company holds 55% of its equity interest
“Henan Universe”	Henan Universe Intraocular Lens Research and Manufacture Company, Ltd (河南宇宙人工晶狀體研製有限公司), a wholly-owned subsidiary of the Company

“Hengtai Vision”	Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), established in July 2017. Since April 2021, the Company indirectly holds 55% of its equity interest
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Scheme” or “2021 Restricted A Share Incentive Scheme”	the Company’s 2021 restricted A Share incentive scheme approved and adopted by its Shareholders at the 2022 general meeting, the 2022 first A Shareholders’ class meeting and the 2022 first H Shareholders’ class meeting held on 7 March 2022
“Juva Medical”	Ouhuameike (TianJin) Medical Technology Co. Ltd. (歐華美科(天津)醫學科技有限公司), established in May 2014, the Company holds 63.64% of its equity interest as at the date of this report
“Nanpeng Optics”	Xiamen Nanpeng Optical Company Limited (廈門南鵬光學有限公司), established in March 2013. Since January 2022, the Company indirectly holds 51% of its equity interest
“NIMO”	Shenzhen New Industries Material of Ophthalmology Co., Ltd. (深圳市新產業眼科新技術有限公司), established on 27 April 2006. Since November 2016, the Company holds 60% of its equity interest
“NMPA”	The National Medical Products Administration of the PRC
“PRC”, “China” or “People’s Republic of China”	the People’s Republic of China which, for the purpose of this report only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the 6-month period from 1 January 2022 to 30 June 2022

DEFINITIONS

“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“Shanghai Qisheng”	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a wholly-owned subsidiary of the Company
“Shanghai Likangrui”	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), transformed from a wholly-owned subsidiary of the Company to a subsidiary, 70% of its equity interest held by the Company since August 2022
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	A Shareholder(s) and/or H Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this report in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“anti-adhesion”	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
“chitosan” (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
“clinical trial”	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
“EGF”	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells in vivo and in vitro
“hemostasis”	the arrest of bleeding
“intraocular lens” or “IOL”	an artificial lens implanted in the eyes used to replace natural lens and to treat cataracts or myopia
“medical chitosan” (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by National Medical Products Administration as a Class III medical device
“medical collagen sponge”	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
“medical sodium hyaluronate gel” (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by National Medical Products Administration as a Class III medical device
“ophthalmic viscoelastic device” or “OVD”	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior chamber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma

GLOSSARY OF TECHNICAL TERMS

“orthokeratology lens”	a rigid gas permeable contact lenses for myopia control and vision correction function
“phakic refractive lens” or “PRL”	a precise optical component that is surgically implanted into the eyes to achieve refractive correction
“recombinant human epidermal growth factor” or “rhEGF”	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
“sodium hyaluronate injection” (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by National Medical Products Administration as a prescription drug