Shanghai Haohai Biological Technology Co., Ltd.*
上海昊海生物科技股份有限公司

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

(Stock Code: 6826)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

- During the Reporting Period, the Group recorded a total revenue of approximately RMB780.61 million (the corresponding period in 2018: approximately RMB761.07 million), representing an increase of approximately RMB19.54 million or 2.6% as compared to the corresponding period in 2018.
- During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB182.57 million (the corresponding period in 2018: approximately RMB211.42 million), representing a decrease of approximately 13.7%.
- The Group continued to maintain its leading position in the industry: the Group's domestic market shares of intra-articular viscosupplement, anti-adhesion products and ophthalmic viscoelastic devices ("**OVD**") products ranked first in the market, representing 39.7%, 48.9% and 46.9% respectively in 2018; whilst the market share of recombinant human epidermal growth factor ("**rhEGF**") products for external use, i.e., "Healin", continued to increase and reached 20.4%, ranking the second place in the domestic market.

- On 12 March 2019, the Company's extraordinary general meeting ("**EGM**") and class meetings, upon consideration, approved (among others) the relevant resolutions on the Company's application for the A Share offering to relevant securities regulatory authorities ("**A Share Offering**"). The total number of A Shares to be issued under the A Share Offering would be no more than 17.8 million Shares (such number would be adjusted accordingly if ex-rights events such as stock dividend and transfer of capital reserve into capital occurred prior to the A Share Offering), accounting for 10.01% of the Company's total issued share capital after the A Share Offering. The Board proposed that the proceeds from the A Share Offering, upon deduction of the offering expenses, would be invested in the International Medical Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生科國際醫藥產業化項目) and used to replenish working capital. The implementation of International Medical Research and Development and Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd., would strengthen the Company's capability of researching, developing, upgrading and producing a variety of innovative medical products which covered the Group's four major business segments and mainly included medical sodium hyaluronate, medical chitosan and rhEGF to meet the growing market demand. For further details, please refer to the announcements of the Company dated 3 January 2019, 18 April 2019, respectively, and the circular of the Company dated 25 February 2019.
- On 15 July 2019, the Listing Committee of Sci-Tech Innovation Board of Shanghai Stock Exchange ("**Sci-tech Innovation Board**"), upon consideration at its 15th review meeting for 2019, approved the A Share Offering and listing of the Company on Sci-tech Innovation Board.
- The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2019.

The Board of Directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") would like to announce unaudited consolidated results of the Company and its affiliate (the "**Group", "we", "our" or "us"**) for the six months ended 30 June 2019 (the "**Reporting Period**") together with the comparative figures for the six-month period ended 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** ***RMB'000*** ***(Unaudited)***	 2018 *RMB'000* *(Unaudited)*
REVENUE	4	780,610	761,073
Cost of sales		(183,593)	(158,331)
Gross profit		597,017	602,742
Other income and gains, net	4	42,185	65,878
Selling and distribution expenses		(249,849)	(253,975)
Administrative expenses		(109,358)	(108,201)
Impairment losses on financial assets		1,605	(656)
Research and development costs		(51,319)	(39,073)
Other expenses		(18,614)	(1,566)
Finance costs		(2,331)	(666)
Share of profits and losses of:			
Joint ventures	9	17,814	6
An associate		336	1,139
PROFIT BEFORE TAX	5	227,486	265,628
Income tax expense	6	(31,001)	(37,303)
PROFIT FOR THE PERIOD		196,485	228,325
Attributable to:			
Owners of the parent		182,568	211,423
Non-controlling interests		13,917	16,902
		196,485	228,325
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– For profit for the period	8	1.14	1.32

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	196,485	228,325
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that maybe reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	2,372	(2,544)
Net other comprehensive income that maybe reclassified to profit or loss in subsequent periods	2,372	(2,544)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	19,273	33,512
Loss on disposal	(1,340)	–
Income tax effect	49	392
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	17,982	33,904
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	20,354	31,360
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	216,839	259,685
Attributable to:		
Owners of the parent	202,507	242,783
Non-controlling interests	14,332	16,902
	216,839	259,685

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019** ***RMB'000*** ***(Unaudited)***	31 December 2018 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		749,629	703,852
Right-of-use assets		36,457	–
Prepaid land lease payments		160,219	38,722
Other intangible assets		421,415	428,394
Goodwill		332,118	332,003
Investment in a joint venture	9	249,064	350,000
Investment in an associate		5,055	4,700
Equity investments designated at fair value through other comprehensive income		184,741	236,900
Deferred tax assets		15,863	17,013
Other non-current assets		63,464	30,877
Total non-current assets		2,218,025	2,142,461
CURRENT ASSETS			
Inventories		224,142	197,631
Trade and bills receivables	10	396,237	384,829
Prepayments, other receivables and other assets		92,181	187,401
Pledged deposits		–	4,340
Cash and bank balances		1,533,078	1,438,407
A joint venture classified as held for sale	9	–	81,283
Total current assets		2,245,638	2,293,891
CURRENT LIABILITIES			
Trade and bills payables	11	36,316	41,183
Other payables and accruals		223,194	364,589
Interest-bearing bank and other borrowings	12	37,440	20,269
Tax payable		38,224	25,276
Total current liabilities		335,174	451,317
NET CURRENT ASSETS		1,910,464	1,842,574
TOTAL ASSETS LESS CURRENT LIABILITIES		4,128,489	3,985,035

		30 June 2019 *RMB'000 (Unaudited)*	31 December 2018 *RMB'000 (Audited)*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	41,950	16,386
Deferred tax liabilities		109,489	126,998
Deferred income		4,787	6,204
Total non-current liabilities		156,226	149,588
NET ASSETS		3,972,263	3,835,447
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		160,045	160,045
Reserves		3,573,950	3,451,466
		3,733,995	3,611,511
Non-controlling interests		238,268	223,936
Total equity		3,972,263	3,835,447

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**" or "**China**"), 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, the PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 30 April 2015.

During the six months ended 30 June 2019 (the "**Reporting Period**"), the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate, ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") No. 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. They have been prepared under historical cost convention, except for certain equity instruments and 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 2018.

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation Transactions*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

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

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and plant. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets for all leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* *(Unaudited)*
Assets	
Increase in right-of-use assets	43,683
Increase in total assets	43,683
Liabilities	
Increase in interest-bearing bank and other borrowings	43,683
Increase in total liabilities	43,683

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 *(Unaudited)*
Operating lease commitments as at 31 December 2018	**51,537**
Weighted average incremental borrowing rate as at 1 January 2019	4.24%
Discounted operating lease commitments as at 1 January 2019	45,833
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(2,150)
Lease liabilities as at 1 January 2019	43,683

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follow:

	Right-of-use assets	
	Property and plant	**Lease liabilities**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
As at 1 January 2019	43,683	43,683
Depreciation charge	(7,226)	–
Interest expense	–	925
Payments	–	(7,680)
As at 30 June 2019	36,457	36,928

The Group recognised rental expenses from short-term leases of RMB1,544,000 for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mainland China	681,791	682,690
United States of America ("**USA**")	44,553	39,409
United Kingdom ("**UK**")	5,524	4,806
Other regions and countries	48,742	34,168
	780,610	761,073

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

(b) Non-current assets

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Mainland China	1,633,485	1,543,218
USA	109,562	92,342
UK	259,726	252,425
Other regions and countries	14,648	563
	2,017,421	1,888,548

The non-current asset information 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 2018: none).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers		
Sale of products	780,610	761,073
Disaggregated revenue information for revenue from contracts with customers		
Type of goods sold		
Ophthalmology products	344,029	319,158
Medical aesthetics and wound care products	153,734	177,068
Orthopedics products	168,856	145,736
Anti-adhesion and hemostasis products	95,468	101,577
Other products	18,523	17,534
Total	780,610	761,073
Timing of revenue recognition		
Goods transferred at a point in time	780,610	761,073

An analysis of other income and gains is as follows:

		Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Note	***(Unaudited)***	*(Unaudited)*
Bank interest income		24,390	33,698
Government grants	(i)	11,900	26,474
Dividend income from equity investments at fair value through other comprehensive income		–	2,719
Foreign exchange gains, net		3,213	1,363
Others		2,682	1,624
		42,185	65,878

Note:

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**183,593**	158,331
Depreciation of property, plant and equipment	**32,466**	25,234
Depreciation of right-of-use assets	**7,226**	–
Amortisation of prepaid land lease payments	**661**	605
Amortisation of other intangible assets	**14,381**	13,583
Minimum lease payments under operating leases	**–**	5,895
Employee benefit expenses:		
– Wages and salaries	**119,390**	114,512
– Pension scheme contributions	**13,214**	9,381
Loss on disposal of a joint venture held for sale	**9,531**	–
Loss on acquisition of a subsidiary	**8,060**	–
Foreign exchange differences, net	**(3,213)**	(1,363)
(Reversal)/provision of impairment losses on financial assets	**(1,605)**	656
Write-down of inventories to net realisable value	**124**	89
Bank interest income (note 4)	**(24,390)**	(33,698)
Dividend income from equity investments at fair value through other comprehensive income (note 4)	**–**	(2,719)
Net (gain)/loss on disposal of items of property, plant and equipment	**(47)**	10

6. INCOME TAX

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

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

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

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

The profits tax for subsidiaries in the USA has been provided at the rate of 21% on the estimated assessable profits arising in the USA during the Reporting Period.

The profits tax for subsidiaries in the UK has been provided at the rate of 19% on the estimated assessable profits arising in the UK during the Reporting Period.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current		
Charge for the period	**48,824**	45,451
Underprovision in prior periods	**507**	214
Deferred	**(18,330)**	(8,362)
Total tax charge for the period	**31,001**	37,303

7. DIVIDENDS

The proposed dividend of RMB0.50 (tax included) per ordinary share for the six months ended 30 June 2018 was declared payable by the shareholders at the extraordinary general meeting of the Company on 12 March 2019.

The directors of the Company does not recommend the distribution of an interim dividend in respect of the six months period ended 30 June 2019.

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

The calculation of the basic earnings per share amount is based on the profit for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 160,045,300 (for the six months period ended 30 June 2018: 160,045,300) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the six months periods ended 30 June 2019 and 2018.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**182,568**	211,423
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**160,045,300**	160,045,300

9. INVESTMENT IN A JOINT VENTURE/A JOINT VENTURE CLASSIFIED AS HELD FOR SALE

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Share of net assets	**249,064**	350,000

As of 31 December 2018, the Group invested a total of RMB350,000,000 in Changxing Tongrui Investment Partnership Enterprise (Limited Partnership) ("**Changxing Tongrui**") on which the Group has joint control with a third party. Therefore, the Group recorded its investment in Changxing Tongrui as investment in a joint venture. As of June 2019, as the target investment project held by Changxing Tongrui was completed, pursuant to the terms of the Changxing Tongrui Limited Partnership Agreement dated 6 November 2017, the Group received cash distribution from Changxing Tongrui amounted to RMB118,750,000, which consisted of net investment income in the amount of RMB18,750,000 and a refund of the corresponding original principal investment amount contributed by the Group at RMB100,000,000. Accordingly, share of Changxing Tongrui's profit of RMB17,814,000 was recognised in profit or loss during the Reporting Period (six months ended 30 June 2018: nil).

A joint venture classified as held for sale

On 21 December 2018, Contamac Holdings, Contamac Limited, Innovalens B.V.("**Innovalens**") and Contateq B.V. ("**Contateq**", a former joint venture of Contamac Holdings) entered into an agreement ("**Agreement**"), pursuant to which, (i) Contamac Holdings agreed to sell its entire equity interest in Contateq to Innovalens at a consideration of approximately EUR8,500,000, (ii) Contateq agreed to transfer all of its product inventories at the transaction completion date to Contamac Holdings free of charge, (iii) Contateq agreed to repay the loans to the joint venture (the "**JV Loan**") principal and accrued interest to Contamac Holdings on the transaction completion date and (iv) the managing director nominated by Contamac Holdings resigned from Contateq. Therefore, the Group's investment in Contateq was classified as a held for sale from 22 December 2018.

In January 2019, the transaction was completed, pursuant to which, the Group recognised a disposal loss of approximately RMB9,531,000 in the interim condensed consolidated financial statements.

10. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Bills receivable	**8,410**	312
Trade receivables	**419,933**	417,928
Impairment	**(32,106)**	(33,411)
	396,237	384,829

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**279,388**	257,166
3 to 6 months	**63,907**	65,382
6 months to 1 year	**45,094**	52,178
1 to 2 years	**7,328**	8,954
2 to 3 years	**520**	1,149
	396,237	384,829

11. TRADE AND BILLS PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**36,316**	36,843
Bills payable	**–**	4,340
	36,316	41,183

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**36,316**	40,842
3 months to 1 year	**–**	292
Over 1 year	**–**	49
	36,316	41,183

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2019** ***RMB'000*** ***(Unaudited)***	31 December 2018 *RMB'000* *(Audited)*
Bank loans:			
– Secured	(1)	**41,769**	36,655
– Guaranteed	(2)	**11**	–
Other loans:			
– Unsecured	(3)	**682**	–
Lease liabilities	(4)	**36,928**	–
Total		**79,390**	36,655

	30 June 2019 ***RMB'000*** ***(Unaudited)***	31 December 2018 *RMB'000* *(Audited)*
Repayable:		
Within one year or on demand	**37,440**	20,269
In the second year	**10,523**	1,375
In the third to fifth years, inclusive	**17,056**	4,124
Beyond five years	**14,371**	10,887
	79,390	36,655
Portion classified as current liabilities	**(37,440)**	(20,269)
Non-current portion	**41,950**	16,386

The bank loans bear interest at rates ranging from 0.89% to 4.24% (31 December 2018: 2.92% to 3.48%) per annum.

Notes:

(1) As at 30 June 2019, the apartments of the non-controlling shareholders of Shenzhen NIMO were pledged for bank loans of RMB24,784,000 (unaudited) (31 December 2018: RMB18,894,000 (audited)), which were also guaranteed by these shareholders. In addition, certain of the Group's bank loan of approximately RMB16,722,000 was secured by mortgages over the Group's properties situated in UK with an aggregate carrying value of approximately RMB12,644,000 (unaudited) (31 December 2018: RMB12,593,000 (audited)). Also, a bank loan of ODC Industries ("**ODC**") of approximately RMB263,000 (unaudited) was secured by mortgages over a vehicle of ODC with a carrying value of approximately RMB322,000 (unaudited).

(2) As at 30 June 2019, a bank loan of ODC of approximately RMB11,000 was guaranteed by a deposit of Euro150,000 provided by a third party, BPI France.

(3) As at 30 June 2019, the unsecured loan represents an interest-free government loan obtained by ODC.

(4) The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease terms. Please refer to note 2.3 for more details.

13. BUSINESS COMBINATION

On 25 April 2019, the Group acquired 100% equity interest in ODC from the third parties. ODC is engaged in development and manufacture of moulded medical devices. The acquisition was made as part of the Group's strategy to expand its product portfolio of IOL related accessories. The purchase consideration for the acquisition is Euro1,909,000 (approximately RMB14,366,000), which was paid upon completion of the transaction.

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

	Fair value recognised on acquisition *RMB'000 (Unaudited)*
Property, plant and equipment	7,662
Other intangible assets	6,229
Cash and bank balances	14
Trade receivables	43
Prepayments, other receivables and other assets	1,679
Inventories	6,408
Interest-bearing bank and other borrowings	(4,761)
Trade payables	(893)
Other payables and accruals	(8,233)
Deferred tax liabilities	(1,842)
Total identifiable net assets at fair value	6,306
Investment loss on acquisition	8,060
Satisfied by	
Cash	12,794
Prepayments	1,572
	14,366

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB43,000 and RMB360,000 respectively. No impairment allowances were provided for trade receivables and other receivables as at the date of acquisition.

An investment loss of RMB8,060,000 was recognised immediately upon completion of the acquisition, by charging to other expense during the Reporting Period.

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

	RMB'000 (Unaudited)
Cash consideration paid	12,794
Cash and bank balances acquired	(14)
Net outflow of cash and cash equivalents included in cash flows from investing activities	12,780

Since the acquisition, ODC contributed approximately RMB824,000 to the Group's revenue and incurred net loss of approximately RMB721,000 to the consolidated profit or loss for the Reporting Period.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the Reporting Period would have been approximately RMB785,599,000 and approximately RMB197,051,000, respectively.

Business Review and Prospects

2019 is a key year for the implementation of the "13th Five-Year Plan" for deepening the reforms of the pharmaceuticals and healthcare system (the "**Plan**"), and a year facing major changes. With the implementation of the Plan, a series of reform policies such as reform of medical insurance payment methods, supply of pharmaceuticals and medical devices, circulation, centralized tendering and large-scale procurement had continued to deepen, exerting a profound impact on the overall pharmaceutical industry in China. Currently, despite severe challenges in operating results of China's pharmaceutical and medical device industry as affected by the above factors, the rigid market demand brought about by aging population and urbanization has been still driving the steady growth of the industry scale. Meanwhile, under the background of the rapid growth of diversified medical needs, the gradually refining medical insurance payment system and the improving payment capacity of Chinese people, enterprises with economies of scale, brand value and innovation capability are expected to meet with significant development opportunities, and a number of policy guidance from the top down will also have a positive contribution to the healthy and innovative development of the entire industry.

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

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB780.61 million (the corresponding period in 2018: approximately RMB761.07 million), representing an increase of approximately RMB19.54 million or 2.6% as compared to the corresponding period in 2018. The breakdown of the Group's revenue by therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2019		January to June 2018		Year-on-year increase/ decrease
	RMB'000 (unaudited)	***%***	*RMB'000 (unaudited)*	*%*	*%*
Ophthalmology products *(note)*	**344,029**	**44.1**	319,158	42.0	7.8
Medical aesthetics and wound care products	**153,734**	**19.7**	177,068	23.3	-13.1
Orthopedics products	**168,856**	**21.6**	145,736	19.1	15.9
Anti-adhesion and hemostasis products	**95,468**	**12.2**	101,577	13.3	-6.0
Other products *(note)*	**18,523**	**2.4**	17,534	2.3	5.6
Total	**780,610**	**100.0**	761,073	100.0	2.6

Note: As the Group has adjusted the therapeutic category of certain individual products from "ophthalmology products" to "other products", the revenue of ophthalmic products and other products listed in this table for the period between January and June 2018 and the percentage of the Group's total revenue are different from the corresponding revenue and corresponding percentages as stated in the Group's announcement of interim results of the six-month period ended 30 June 2018 and 2018 Interim Report.

During the Reporting Period, the Group's sales revenue and sales unit price of hyaluronic acid ("**HA**") Dermal Filler Products decreased as affected by the periodic industry rectification in the end market of medical aesthetics and the significant decrease in the selling price of competing products. Attributable to the sustained growth of sales revenue of sodium hyaluronate injection, intraocular lens ("**IOL**") and rhEGF product, total revenue of the Group for the Reporting Period still increased, as compared with the corresponding period last year.

During the Reporting Period, the overall gross profit margin of the Group was 76.5%, representing a decrease as compared to 79.2% in 2018, mainly due to the smaller proportion of HA Dermal Filler Products, which have higher margin, in the Group's total revenue.

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB182.57 million (the corresponding period in 2018: approximately RMB211.42 million), representing a decrease of approximately 13.7%. During the Reporting Period, the amortisation and depreciation charge attributable to ordinary equity holders of the Company on intangible assets and fixed assets from business acquisition of the Group (after tax) was approximately RMB7.91 million (the corresponding period in 2018: approximately RMB7.89 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB190.48 million (the corresponding period in 2018: approximately RMB219.31 million), representing a decrease of approximately 13.2% as compared to that in 2018.

The decrease in profit attributable to ordinary equity holders of the Company for the Reporting Period was mainly attributable to the following factors: (1) during the Reporting Period, the Group invested more in the research and development of new ophthalmology products and medical aesthetics products, with research and development ("**R&D**") expense for the period being increased by RMB12.24 million or 31.3% as compared with the corresponding period of last year; (2) Contamac Holdings, a subsidiary of the Company, disposed of its 50% equity interest in Contateq (a joint venture) in January 2019, which resulted in the one-time investment loss of approximately RMB9.53 million; (3) Contamac Holdings acquired 100% equity interest of ODC, a French-based manufacturer of IOL injector, on 25 April 2019, which resulted in the non-recurring investment loss of approximately RMB8.06 million which the management confirmed such acquisition for the period in the principle of prudence after considering the extended period of integration between Contamac Holdings and ODC and uncertainty in profitability of such business; and (4) In the first half of 2018, the Group received fiscal support fund, approximated to RMB14.39 million, for high-tech achievement transformation project of 2017, and recorded into recurring profits and losses. During the Reporting Period, the Group obtained the approval of its application for 2018 support funds, and received the subsidy of approximately RMB16.12 million in July 2019. Therefore, the Group did not recognize such government subsidy income during the Reporting Period.

During the Reporting Period, the basic earnings per share were RMB1.14 (the corresponding period in 2018: RMB1.32).

Ophthalmology Products

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

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

	January to June 2019		January to June 2018		Year-on-year increase/ decrease
	RMB'000 (unaudited)	***%***	*RMB'000 (unaudited)*	*%*	*%*
IOL products and ophthalmic materials	**288,458**	**37.0**	263,343	34.6	9.5
OVD products	**50,015**	**6.4**	49,239	6.5	1.6
Other ophthalmology products	**5,556**	**0.7**	6,576	0.9	-15.5
	344,029	**44.1**	319,158	42.0	7.8

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB344.03 million, representing an increase of approximately RMB24.87 million, or 7.8%, from approximately RMB319.16 million for the corresponding period in 2018.

Cataract is the number one blindness-causing disease in the world. Currently, the only effective treatment for cataract is IOL implantation through cataract surgery. Currently, the cataract surgery rate ("**CSR**") per million of Europe, the United States, Japan and other developed countries has exceeded 10,000. In contrast, the CSR of China is only 2,205 per million in 2017, far below the data of developed countries. According to a calculation based on CSR, only 3.05 million cataract surgeries were performed in China in 2017. However, according to the statistics of the Chinese Ophthalmological Society, the incidence of cataract for those in the 60-89 age group is 80% and those in the age group over 90 exceeds 90% in China. There is still great room to improve the cataract surgery operation rate, and the penetration of relevant ophthalmic products is still low to date. On the other hand, the aging of the population in China is further developing, and the public's awareness on eye health, medical treatment concept and payment ability are gradually enhanced. Meanwhile, public and private medical resources continue to be invested, which makes the scale of China ophthalmic market show a trend of rapid growth year by year, and the future growth of the market is promising.

IOL is the core material for cataract surgery. IOL industry chain consists of the upstream manufacturers of raw materials, producers of IOL and the downstream IOL sales network. Up to date, the Company has preliminarily extended its footprint to the whole IOL industry chain as follows: the Company accessed the production of raw materials on the upstream of the IOL industry chain through Contamac Group, mastered the R&D and production process of IOL products through Aaren Scientific Inc., Henan Universe and Eyegood Medical (Zhuhai) Co., Ltd., and improved the downstream sales network of IOL through trading business of Shenzhen NIMO. In respect of specific products, leveraging on its several domestic and foreign brands, the Group has covered a full range of products from PMMA hard IOL to multifocal foldable IOL, laying a foundation for R&D of high-end IOL. Based on the sales volume of the Group's IOL products and the number of national cataract surgery cases, the Group had captured about 30% of the IOL market in the PRC.

OVD products are necessary medical devices for cataract surgery and can be used for other ophthalmic operations. Among the major brands of OVD products in the PRC, the Group's products have prominent competitive advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. under the National Medical Products Administration ("**NMPA**") Southern Medicine Economic Research Institute, the market share of the Group's OVD products was 46.9% in 2018, with a market share of over 40% for the past twelve consecutive years, making the Group the largest OVD product manufacturer in the PRC.

During the Reporting Period, the Group continued to deepen the integration of industry chain for ophthalmology business and focused on the resource rationalization and optimization of marketing channels, while leveraging on the support of the National Key Research and Development Programs under the "13th Five-Year Plan", creating synergy among the ophthalmology research and development technology platforms of the Group in the PRC, the United States and the United Kingdom to promote collaboration with well-known domestic research institutes, universities and clinical institutions so as to accelerate technology introduction and R&D innovation. In April 2019, the aspheric IOL products of Henan Universe, a subsidiary of the Company, was approved by NMPA, further enhanced the technology of the Group's self-made domestic IOL brands to a new level.

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

Medical Aesthetics and Wound Care Products

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

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

	January to June 2019		January to June 2018		Year-on-year increase/ decrease
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
HA Dermal Filler Products	114,338	14.7	147,807	19.5	–22.6
rhEGF "Healin"	39,396	5.0	29,261	3.8	34.6
	153,734	19.7	177,068	23.3	-13.2

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was approximately RMB153.73 million, representing a decrease of approximately RMB23.34 million or approximately 13.2% from approximately RMB177.07 million for the corresponding period in 2018.

HA Dermal Filler Products

During the Reporting Period, the Group's revenue from the sales of HA Dermal Filler Products was approximately RMB114.34 million, representing a decrease of approximately RMB33.47 million or 22.6% from approximately RMB147.81 million for the corresponding period in 2018.

In recent years, demand for aesthetics has been growing increasingly, and development of medical aesthetic products and related technology has been accelerating. These new products and technology can satisfy existing consumer demand as well as attracting more potential consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept. In the niche market of HA Dermal Filler Products, the HA dermal filler injection project has become one of the most popular medical aesthetic projects among consumers with relatively higher repurchase rate over time for its safety, effectiveness, high price performance and other features.

However, after experiencing the initial explosive growth, the domestic medical aesthetics terminal market has entered the integration phase due to the multiple influences of strengthened industry supervision, high customer enter-in cost, low profit space and increasing products of the same kind. The sharp decline in prices of competitive products since the second half of 2018 has resulted in decrease of selling price of HA Dermal Filler Products of the Group and caused pressure on procurement decision of certain distributors to some extent. Therefore, the sales revenue from HA Dermal Filler Products of the Group during the Reporting Period decreased as compared to that in 2018 but basically remained stable as compared to the sales revenue in the second half of 2018. This is mainly attributable to the stable and profitable price system as well as the outstanding brand foundation of the Group's HA Dermal Filler Products. The Group responded to the market impact resulted from significant price decrease of the competitive products by actively providing an array of effective professional market services. Moreover, leveraging on early market preparation and accumulation, the sale revenue from "Janlane", the second-generation HA Dermal Filler Products of the Group, increased by approximately RMB9.83 million or 55.3% on a year-on-year basis, representing a new growth highlight and providing an offset against the unfavorable condition of decrease in the sales of Matrifill, the first-generation HA Dermal Filler Products of the Group.

This poses a higher demand on upstream manufacturing enterprises in terms of strength in R&D, technology innovation, product quality control and marketing reforms. Only by constantly innovating and promoting technological innovation and enhancing brand value can enterprises meet with higher professional demands of new generation consumers. The Group has been able to sustain its leading market position as the products in the medical aesthetic and wound care sector have formed combined effects of serialization and differentiation and can meet the increasingly segmental and diversified market needs. The Group's HA Dermal Filler Product "Matrifill" is the first mono-phase sodium hyaluronate gel for injection approved by the former China Food and Drug Administration ("**CFDA**") in the PRC. Since product launch, the market share of "Matrifill" products continued to expand, and had thus become a leading domestic brand of HA Dermal Filler Products made in the PRC. The Group's self-developed second-generation HA Dermal Filler Proudct "Janlane", based on its characteristics and efficacy, has established the differentiated positioning from and supplementary development with the HA Dermal Filler product "Matrifill" that focuses on shaping, thus leading the trend of combined application of HA Dermal Filler in the non-invasive medical aesthetic market in the PRC. Moreover, the Group's self-developed third-generation HA Dermal Filler Product (i.e., "**QST Gel**") completed the clinical trial phase, and the Group submitted the declaration materials to Medical Device Evaluation Center (醫療器械技術審評中心) of NMPA, and they have been accepted.

Leveraging on its highly competitive research and development efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of sodium hyaluronate products, the Group fostered the market recognition of domestic HA Dermal Filler Products "Matrifill" and "Janlane" with professional attitudes and actions. The Group established an independent professional marketing team for "Matrifill" and "Janlane". With the integrated mode of direct sales to hospitals and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multi-dimensional services for medical institutions, practitioners and consumers, and build brand attributes and dominate the lifestyle of consumer groups so as to improve the adhesiveness of products.

China has become the third largest medical aesthetic market in the world. Compared with other major medical aesthetic markets of other countries, despite the gradually increasing market scale and the share of global market, China's penetration rate of medical aesthetic projects is still at a low level, and the potential for growth in the market is still significant.

The Group will continue to focus on the industrial layout in the field of medical aesthetics, aiming to integrate domestic industrial resources and introduce new technologies and products through various approaches such as investment, mergers and acquisitions and cooperation. At the same time, the Group will continue to leverage on its continuous innovation in research and development as well as innovation, stable product quality, clear clinical efficacy and highly efficient market management, to build a leading brand in the medical aesthetic micro-plastic field in the PRC.

rhEGF "Healin"

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

According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. under the NMPA Southern Medicine Economic Research Institute, the Group strengthened its market position as the second largest manufacturer of rhEGF products in China in 2018, whereas the market share of rhEGF "Healin" products continued to increase from 18.6% in 2017 to 20.4% in 2018.

On 23 February 2017, the Ministry of Human Resources and Social Security of the PRC officially issued the 2017 National Reimbursement Drug List ("**NRDL**"), and upon experts' appraisal, rhEGF "Healin" was reclassified to Class B medical insurance products by lifting the limitation on the work-related injury insurance products on the 2009 NRDL. Advanced jointly by the favourable policies and the Group's interim but successful resolution of production capacity insufficiency, the Group's revenue from the sales of rhEGF "Healin" products increased rapidly to approximately RMB39.40 million during the Reporting Period from approximately RMB29.26 million in 2018, representing an increase of 34.6%.

Orthopedics Products

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

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

	January to June 2019		January to June 2018		Year-on-year increase/ decrease
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
Sodium hyaluronate injection	**117,237**	**15.0**	97,729	12.8	20.0
Medical chitosan "力保希"	**51,619**	**6.6**	48,007	6.3	7.5
	168,856	**21.6**	145,736	19.1	15.9

During the Reporting Period, the Group's revenue from the sales of orthopedics products increased by approximately RMB23.12 million to approximately RMB168.86 million from approximately RMB145.74 million in 2018, representing an increase of approximately 15.9%.

According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. under the NMPA Southern Medicine Economic Research Institute, the Group was the largest manufacturer of intra-articular viscosupplement products in China in 2018 for the fifth consecutive year where our market share increased to 39.7% in 2018 from 36.2% in 2017.

Sodium Hyaluronate Injection "騰立克"

With the progressive completion of the last round of centralized tender for sodium hyaluronate injection in various provinces that lasted for two years till the end of 2017, the bid price and sale price of sodium hyaluronate injection "騰立克" of the Group became stable, and procurement sentiment of dealers was quickly recovered. Since 2018, the sales trend of sodium hyaluronate injection has been reversed. During the Reporting Period, the sodium hyaluronate injection of the Group recorded revenue of approximately RMB117.24 million from approximately RMB97.73 million in 2018, representing an increase of approximately RMB19.51 million or 20.0%.

The orthopedic sodium hyaluronate injection product can mitigate long-term pains, protect and improve function of joints with mild and low incidence of adverse reactions. Moreover, featuring safety, efficacy, practicality and economical efficiency, orthopedic sodium hyaluronate injection can reduce the dosage of oral analgesic so as to bring about fewer adverse reactions caused by drugs. As a significantly efficacious product extensively used in the world, the clinical application of orthopedic sodium hyaluronate injection has been included in the Osteoarthritis Clinical Pathway (2017 version) (the "**2017 Soduim Hyaluronate Consensus**") issued by the National Health and Family Planning Commission, which established the important position of sodium hyaluronate in the treatment of osteoarthritis ("**OA**"). This was another important revision following the first

publication of expert consensus in 2012 (the "**2012 Sodium Hyaluronate Consensus**"), providing academic references for the effective and regulated use of orthopedic sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas.

Given that such product still has an extremely low penetration rate in the PRC market, the management of the Company believed that, with the increasing popularity and acceptance among patient groups in the PRC, it has a future sales growth potential that cannot be overlooked.

The Group is the only enterprise having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. The Group launched the product with specification of 2.5mL in March 2018, which is a specification with high concentration of competitive products. The specification of 2mL with the largest combined sales and the unique specification of 3mL gave the Group the competitive advantages of differentiated specification and differentiated price. Meanwhile, the Group upgraded its products and services to prominently improve injection experience, which laid a foundation for the long-term and stable growth of the Group's orthopedic sodium hyaluronate injection "腾立克" in the future.

Medical Chitosan "力保希"

During the Reporting Period, the Group's medical chitosan "力保希" products recorded revenue of approximately RMB51.62 million, representing an increase of approximately RMB3.61 million or approximately 7.5% from approximately RMB48.01 million in 2018.

Medical chitosan "力保希" product is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC. It can be used to treat degenerative OA and is helpful in minimizing joint pains and improving joint mobility. Medical chitosan has effective antimicrobial and hemostatic functions, a longer in vivo retention time and long-lasting therapeutic effect. The Group's medical chitosan "力保希" product is characterized by the Group's exclusive water-soluble technology which significantly reduces the rate of allergy and thus fundamentally tackling the safety concerns in relation to the internal use of the product, and was awarded the Second Prize of National Science and Technology Progress Award in 2009.

In 2018, the Joint Surgery Working Committee (關節外科工作委員會) under Chinese Medical Doctor Association and Society of Orthopedics under Chinese Medical Association organized, formulated and released the Expert Consensus on the Application of Medical Chitosan in Joint Cavity Injection (2018 Version) (《醫用幾丁糖在關節腔注射應用的專家共識(二零一八版)》) (the "**2018 Medical Chitosan Consensus**") and the Guidelines for the Diagnosis and Treatment of Osteoarthritis (2018 Version) (《骨關節炎診治指南(二零一八年版)》) (the "**Guidelines**"), respectively. It has been demonstrated in the 2018 Medical Chitosan Consensus and the Guidelines that medical chitosan can relieve joint pain and protect chondrocytes through evidence-based medical proof, and can effectively treat osteoarthritis and delay the progression of the disease, providing academic reference for regulated use of medical chitosan in joint cavity injection.

Currently, medical chitosan "力保希" product is in the process of being steadily added into the charges catalogue of various provinces and local health insurance, and has successively completed the inclusion into the charges catalogue of Shaanxi, Hubei and Inner Mongolia. The management of the Company believed that, with the successive completion of inclusion of medical chitosan "力保希" product into charges catalogue of various provinces and cities, and through insisting upon professional promotion and market expansion improvement for medical chitosan "力保希" product, the stable quality and significant efficacy of such product will be recognized by an increasing number of doctors and patients, thus presenting significant development opportunity for medical

chitosan "力保希" product in the future. If medical chitosan "力保希" product could be further successfully included into the medical insurance drug catalogue of various provinces and cities, there would be significant potential for increase of sales revenue.

Anti-adhesion and Hemostasis Products

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

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

	January to June 2019		January to June 2018		Year-on-year increase/ decrease
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
Medical chitosan "Chitogel"	**48,145**	**6.2**	53,039	7.0	-9.2
Medical sodium hyaluronate gel	**37,346**	**4.8**	39,800	5.2	-6.2
Collagen sponge	**9,977**	**1.2**	8,738	1.1	14.2
	95,468	**12.2**	101,577	13.3	-6.0

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB95.47 million, representing a decrease of approximately RMB6.11 million or approximately 6.0% as compared to approximately RMB101.58 million in 2018.

Anti-Adhesion Products

According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. under the NMPA Southern Medicine Economic Research Institute , the market share of the anti-adhesion products of the Group maintained at 48.9% in 2018, making the Group the largest anti-adhesion product manufacturer in the PRC for the past twelve consecutive years.

From 2015 to date, the gradual publication of certain expert consensus associated with the anti-adhesion products marks the clinical medical concern on anti-adhesion issue. The Chinese Expert Consensus on Prevention of Abdominal Adhesion after Abdominal Surgery (the "**Expert Consensus**"), issued in November 2017, points out that anti-adhesion materials can function as a protective barrier to avoid any adhesion, and can prevent adverse reactions related to adhesion to avoid medical risk associated with operation conducted right there, so as to reduce overall medical expenses. The management of the Company believes that, with the promotion of the Expert Consensus, anti-adhesion products will be increasingly valued by both doctors and patients, hence increasing clinical usage radically and further promoting the continuous growth of the sales of anti-adhesion and hemostasis products of the Group.

Collagen Sponge "奇特邦"

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

Due to the impact brought by the sustained controls over fees and quantity carried out by public hospitals across the country starting in the second half of 2017, the use of high-valued materials including anti-adhesion materials and new hemostasis materials in many regions is limited. The Group's whole series of surgical products were restricted in hospital use. In addition, the decline in the bidding price in certain regions such as Beijing, Tianjin and Hebei caused the decline in the delivery price of certain specifications of products. As affected by the above two factors, the Group's sales of and revenue from surgical anti-adhesion products during the Reporting Period tended to decline, and in particular, medical chitosan product "Chitogel" with relatively high unit prices was severely affected. The management of the Company believed that, the Group is able to continue to maintain its leading market share of surgical products by more professional marketing and promotion.

R&D

The Group continued to strengthen R&D investment. During the Reporting Period, the total R&D expenses amounted to approximately RMB51.32 million, representing an increase of 31.3% over the same period in 2018.

All core products of the Group were primarily developed by its in-house R&D team and the Group maintained a complete R&D project control system for development of new technology and new product and also for transformation of technological achievements. In the course of R&D, the Group also conducted the relevant research with the support of various Chinese and foreign colleges and universities, research institutes and sizable "Grade III" hospitals.

The Group has undertaken 8 national-level significant projects from the Ministry of Science and Technology and other national department, and 20 significant technology R&D projects for Shanghai municipality, has been certified as national-level enterprise technology center, owns national postdoctoral R&D workstation, two national R&D platforms, four provincial and ministerial-level technology and R&D transformation platforms, and one Shanghai municipal academician expert workstation, and has established an integrated R&D system in China, the United States and the United Kingdom, initially formed an international R&D layout.

As at 30 June 2019, the Group's in-house R&D team comprised of 231 staff members from China and other countries, representing approximately 17.34% of the total staff of the Company, of which 16 were doctorate degree holders and 64 were master's degree holders. As at 30 June 2019, the Group has over 60 product pipelines at different stages of R&D.

In the short to medium term, the Group will continue to focus on the R&D of innovative high-medium-class IOL products and products covering ophthalmic treatment areas such as optical, dry eyes and glaucoma, innovative tissue filler materials such as the third-generation HA Dermal Filler, fibrin sealant, smart gel such as second generation of thermal-sensitive chitosan, and other certain programs, and will also improve and expand specification and research indication of the Group's existing products in the market.

In the long term, the Group will insist on expanding its R&D capabilities. The Group will work with famous Chinese and foreign colleges, universities, research institutes and experts to extend the product development in order to further expand the Company's product offerings to sustained-release preparations, new compound anti-adhesion and hemostasis products on the basis of our own four technology platforms: IOL and optical materials technology platform (which is elected as one of the National Key Research and Development Programs under the "13th Five-Year Plan"), medical chitosan technology platform (which is elected and supported by the National High-Tech R&D Program (863 Program) and the major project of National Science and Technology under the "12th Five-Year Plan"), medical sodium hyaluronate/sodium hyaluronate technology platform, and rhEGF technology platform.

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

Sales and Product Marketing

The Group operated a marketing model that combines with distribution and direct sales, and has an extensive and effective sales network in China.

As at 30 June 2019, the Group's distribution network comprised over 2,000 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions in China and approximately 65 countries and regions in the world. In addition to the distribution network, the Company also had market department, medical department, public affair department, sale department, commercial department and sale support department which are responsible for formulating standardized bidding and government affair management, marketing and sales policies, product trainings, academic promotions, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Company's products and keeping abreast of any changes to market needs. The Company's broad coverage of hospitals and other medical institutions and its advantages in identifying and managing distributors enabled the Company to effectively promote its products to the target market, laying a solid foundation for continuously enhancing the reputation of the Company's products and brand, expanding the market share and increasing the sales of the products.

During the Reporting Period, the Group derived revenue of approximately RMB425.17 million (the corresponding period in 2018: RMB403.05 million) and RMB355.44 million (the corresponding period in 2018: RMB358.02 million) from the sales of its products through distributors and from direct sales, respectively, which accounted for 54.5% (the corresponding period in 2018: 53.0%) and 45.5% (the corresponding period in 2018: 47.0%) respectively of the Group's sales revenue.

OPERATING PROSPECTS OF THE SECOND HALF OF 2019

In recent years, with the further deepening of China's pharmaceutical and healthcare system reform, a series of policies that have profound impact on the industry such as two-invoice system, the cross-regional joint procurement and the "4 + 7" large-scale procurement are propelling integration of the industry, transformation of the operating models and price competition within the industry. Meanwhile, along with the efforts in advancing the notion of building a healthy China, the domestic industrialization progress of medical and pharmaceutical industry and reforms of weeding out obsolete capacities, enterprises which benefit from the advantages of scale and in possession of technological innovation, well-established brands, marketing competitive edges and industrial integration capabilities will experience invaluable development opportunities.

In the second half of 2019, the Group will continue to deepen the integration of its internal resources, and further strengthen the integration of acquired companies in respect of R&D, production, sales and services for the purpose of maximizing synergies, improving operating efficiency, developing innovative technologies and expanding market space, so that the acquired companies can be consolidated into the Group's management system rapidly and the Group can enhance its core competitiveness continuously. The Group will expand investment in R&D of innovative products and constantly promote the optimization and upgrade of product portfolio by integrating its advanced R&D resources in China, the United States and the United Kingdom, so as to promote the clinical applications of products with a view to secure our technological leadership position in ophthalmology, medical aesthetic, orthopedic and surgical products. Meanwhile, the Group will take a series of marketing measures to intensify market penetration of competitive products and expand the coverage of the new products in key hospitals and regions via a refined multi-dimensional marketing strategy. Under the new pharmaceutical marketing environment, we will increasingly emphasize on compliance management, and further advance the development of professional marketing services. In addition, the Group will effectively make use of its own funds, proactively extend acquisition to the deeper and broader market of ophthalmology on the basis of the whole existing industry chain layout centered on IOL products; explore the fast-growing therapeutic fields of medical aesthetic, orthopedics and surgery; actively identify suitable target companies and to achieve expansionary business growth through acquisitions, capital increase or equity participation.

On 12 March 2019, the EGM and class meetings, upon consideration, approved (among others) the relevant resolutions on the Company's application for the A Share Offering to relevant securities regulatory authorities. The total number of A Shares to be issued under the A Share Offering will be no more than 17.8 million Shares (such number will be adjusted accordingly if ex-rights events such as stock dividend and transfer of capital reserve into capital occur prior to the A Share Offering), accounting for 10.01% of the Company's total issued share capital after the A Share Offering. The Board proposed that the proceeds from the A Share Offering, upon deduction of the offering expenses, will be invested in the International Medical Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生科國際醫藥產業化項目) and used to replenish working capital. The implementation of International Medical Industrialization Project by Shanghai Haohai Biological Technology Co., Ltd., will strengthen the Company's capability of researching, developing, upgrading and producing a variety of innovative medical products which cover the Group's four major business segments and mainly include medical sodium hyaluronate, medical chitosan and recombinant human epidermal growth factor to meet the growing market demand. For further details, please refer to the announcements of the Company dated 3 January 2019, 18 April 2019, respectively, and the circular of the Company dated 25 February 2019.

On 15 July 2019, the Listing Committee of Sci-tech Innovation Board, upon consideration at its 15th review meeting for 2019, approved the A Share Offering and listing of the Company on Sci-tech Innovation Board.

Orthopedics Products

The Group will focus on investment and industrial integration of the ophthalmic high-valued materials, pharmaceuticals and advanced diagnosing equipment in China. In the second half of 2019, leveraging on its management team's brilliant track record, resource advantages and rich experience in integrating strategic assets, the Group will seek to streamline and integrate internal and external products, technology, talents and other resources of the Company and its affiliated orthopedics companies, aiming to promote the application of new materials and leverage on the advantages of overseas technological platform. The Group is committed to develop a full series of domestic IOL products and promote the domestic industrialization of overseas developed IOL production technology, aiming to enhance the production capability, quality and market competitiveness of local enterprises, which in turn accelerates import substitution and export of locally-manufactured products to explore the potential ophthalmology market with global customers. In addition, the Group will explore the expansion of ophthalmic treatments in glaucoma, fundus diseases and dry eyes and build a foundation for its future business growth with efficient industry merger and acquisition and integration.

Medical Aesthetics and Wound Care Products

In the second half of 2019, the Group will make full effort on the registration and approval of the third generation of HA Dermal Filler product QST GEL, and promote the marketing initiatives of "Matrifill" and "Janlane" HA Dermal Filler Products steadily to constantly increase the market share and sales revenue. Meanwhile, leveraging on its highly competitive product and R&D strength in medical biological materials, the Group is committed to the R&D and sale of other high-end medical aesthetic products to meet the growing demand of medical aesthetic market of China, expand product lines, meet increasingly segmented and diversified market demands, and build a leading Chinese medical aesthetic brand.

Orthopedics Products

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer cultivation cycle, possesses the advantages of high clinical recognition and relatively broad application. In the second half of 2019, the Group will, as guided by the 2012 Sodium Hyaluronate Consensus and 2017 Sodium Hyaluronate Consensus, continue to advance marketing and provide academic support for the sufficient and regulated use of sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas. Meanwhile, the Group is able to gain competitive edges in bidding and tendering by its products with whole series of specifications, which is helpful to stabilize the extensive coverage of the Group's sodium hyaluronate injection "騰立克" for intraarticular viscosupplement products market and benefit more patients.

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

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

Anti-adhesion and Hemostasis Products

In respect of the current market landscape of anti-adhesion products, there are various types of products in the Chinese market and market concentration is relatively high. The top three manufacturers, representing nearly 80% of the market share in aggregate. In recent years, more challenges are posed during product renewal and new product registrations as the government continued to raise demands on the quality of such products. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. In addition, due to the impact brought by the sustained controls over fees and quantity carried out by public hospitals across the country starting in the second half of 2017, the use of high-valued materials including anti-adhesion materials and new hemostasis materials in many regions is limited and event prohibited. The Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. The Group is able to provide a series of products with the most comprehensive and integrated specifications. The detailed designs can render more user-friendly products and further cater for clinical needs, thus cultivating a brand preference for medical practitioners. In the second half of 2019, the Group will enhance the market recognition and acceptance of the products among clinical surgery by putting more efforts in professional promotion, with a view to maintaining and increasing its market share.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB780.61 million (the corresponding period in 2018: approximately RMB761.07 million), representing an increase of RMB19.54 million or approximately 2.6% as compared to the corresponding period in 2018. During the Reporting Period, the Group's sales revenue of HA Dermal Filler Products for the period somewhat decreased as affected by the periodic industry chaos rectification in the end market of medical aesthetics and the dramatic decrease in the sale price of the competitive products. Thanks to the sustained rise of sales revenue of products such as sodium hyaluronate injection, intraocular lens and rhEGF for external use, total operating revenue of the Group for the Reporting Period still increased, as compared with the corresponding period of last year.

During the Reporting Period, the overall gross profit margin of the Group was 76.5%, representing a decrease as compared to 79.2% in 2018, mainly due to the reduction of percentage of the sales revenue from HA Dermal Filler Products with high gross profit margin.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group was approximately RMB249.85 million, which was smimiler to the corresponding period in 2018 of approximately RMB253.98 million. The proportion of selling and distribution expenses to the Group's total revenue was 32.0%, representing a slight decrease from 33.4% in 2018, which was mainly due to the further increase in the sales revenue from ophthalmology products with relatively low selling expenses.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group was approximately RMB109.36 million (the corresponding period in 2018: approximately RMB108.20 million), and the proportion of administrative expenses to the Group's total revenue was 14.0%, which was stable as compared to 14.2% in 2018.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group was approximately RMB51.32 million, representing an increase of approximately RMB12.24 million or approximately 31.3% from approximately RMB39.07 million in 2018. The growth of R&D expenses was primarily due to the continuous increase of R&D investments made by the Group along with more projects in the pipeline and more R&D team members. During the Reporting Period, the proportion of R&D expenses to the Group's total revenue was 6.6% (the corresponding period in 2018: 5.1%). With the Group's rich product pipeline under development and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for its sustainable growth in the future.

Income Tax Expense

During the Reporting Period, the income tax expense of the Group was approximately RMB31.00 million (the corresponding period in 2018: approximately RMB37.30 million), and the effective rate of income tax was 13.6%, which was in line with 14.0% in 2018.

Results of the Reporting Period

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB182.57 million (the corresponding period in 2018: approximately RMB211.42 million), representing a decrease of approximately 13.7% in 2018. During the Reporting Period, the amortisation and depreciation charge attributable to ordinary equity holders of the Company on intangible assets and fixed assets from business acquisition of the Group (after tax) was approximately RMB7.91 million (the corresponding period in 2018: approximately RMB7.89 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB190.48 million (the corresponding period in 2018: approximately RMB219.31 million), representing a decrease of approximately 13.2% as compared to that in 2018.

The decrease in profit attributable to ordinary equity holders of the Company as compared with the same period of last year was mainly attributable to the following factors: (1) during the Reporting Period, the Group invested more in the R&D of new ophthalmology products and medical aesthetics products, with R&D expense for the period being increased by approximately RMB12.24 million or 31.3% as compared with the corresponding period of last year; (2) Contamac Holdings, a subsidiary of the Company, disposed of its 50% equity interest in Contateq (a joint venture) in January 2019, which resulted in the one-time investment loss of approximate RMB9.53 million; (3) Contamac Holdings acquired 100% equity interest of ODC, a French-based manufacturer of IOL injector, on 25 April 2019. The Group didn't recognize the goodwill of the relevant acquisition but recognized the one-time investment loss of approximately RMB8.06 million prudently considering the extended period of integration between Contamac Holdings and ODC and uncertainty in future profitability of such business; (4) In the first half of 2018, the Group received fiscal support fund, approximated to RMB14.39 million, for high-tech achievement transformation project of 2017, and recorded into recurring profits and losses. During the Reporting Period, the Group obtained the approval of its application for 2018 support funds, and received the subsidy of approximately RMB16.12 million in July 2019. Therefore, the Group did not recognize such government subsidy income during the Reporting Period.

During the Reporting Period, the basic earnings per share were RMB1.14 (the corresponding period in 2018: RMB1.32).

Liquidity and Capital Resources

As at 30 June 2019, the total current assets of the Group was approximately RMB2,245.64 million, representing a decrease of approximately RMB48.25 million as compared to the amount as at 31 December 2018, which was mainly due to the decrease in the held-for-sale investment and other receivables after Contamac Holdings, a subsidiary of the Company, disposed of its 50% equity interest in the joint-venture Contateq. The total current liabilities was approximately RMB335.17 million, representing a decrease of approximately RMB116.14 million as compared to the amount as at 31 December 2018, which was mainly due to final payment for part of the business acquisitions. As at 30 June 2019, the Group's current assets to liabilities ratio was approximately 6.70 (31 December 2018: 5.08).

Employees and Remuneration Policy

The Group had 1,332 employees as at 30 June 2019. The breakdown of the total number of employees by function was as follows:

Production	528
R&D	231
Sales and Marketing	355
Supply	22
Administration	196
Total	1,332

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provides various thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, post skills, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB132.60 million. The Group has always adhered to the concept of "people first" and the principle of compatible incentives for key human capital. The Group attaches great importance to the introduction and training of talents, establishes a human resources compensation system suitable for the combination of enterprise development and personal development, continuously improves the existing human resources system through effective incentives, builds a echelon of high-quality talents so as to promote the Company's continuous technological innovation and research and development of product

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 2019, the bank borrowings of approximately GBP1.92 million (equivalent to approximately RMB16.72 million) of Contamac Holdings, a subsidiary of the Company, were secured by the pledge of certain of its property, plant and equipment with a carrying amount of approximately GBP1.44 million (equivalent to approximately RMB12.64 million). As at 31 December 2018, the bank borrowings of approximately GBP2.05 million (equivalent to approximately RMB17.76 million) of Contamac Holdings were secured by the pledge of certain of its property, plant and equipment with a carrying amount of approximately GBP1.45 million (equivalent to approximately RMB12.59 million).

Gearing Ratio

As at 30 June 2019, the total liabilities of the Group amounted to approximately RMB491.40 million and the gearing ratio (the percentage of total liabilities to total assets) was 11.0%, representing a decrease as compared to 13.5% as at 31 December 2018, which was primarily attributable to the final payment for part of the business acquisitions and the liabilities of approximately RMB69.45 million during the Reporting Period.

Cash and Cash Equivalents

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB219.78 million, representing a decrease of approximately RMB115.85 million from that of approximately RMB335.63 million as at 31 December 2018. The decrease was mainly attributable to cash flows used in investing and financing activities of approximately RMB156.13 million and RMB92.10 million, respectively, partially offset by cash flows generated from operating activities of approximately RMB131.91 million.

Bank Borrowings

As at June 30 2019, Shenzhen NIMO and Contamac Holdings, both subsidiaries of the Company, had interest-bearing bank borrowings of approximately RMB24.78 million and GBP1.92 million (totaling approximately RMB16.72 million) respectively. As at 31 December 2018, Shenzhen NIMO and Contamac Holdings had interest-bearing bank borrowings of approximately RMB18.89 million and GBP2.05 million (totaling approximately RMB17.76 million) respectively.

Future Plans for Material Investments and Capital Assets

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

Significant Investment, Acquisition and Disposal of Subsidiaries

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

Foreign Exchange Risk

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

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

Events after the Reporting Period

As at the date of this announcement, apart from the fund from fiscal support policy for high-tech achievement transformation project of 2018 received by the Company and Shanghai Qisheng, a subsidiary of the Company in July 2019, which amounted to approximately RMB16.12 million, the Group did not have any material events after the Reporting Period.

Purchase, Sales or Redemption of Listed Securities

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

Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six-month period ended 30 June 2019.

The proposed dividend of RMB0.50 (tax included) per ordinary share for the six months ended 30 June 2018 recommended by the Board on 1 February 2019 was declared payable by the shareholders of the Company at EGM on 12 March 2019.

Corporate Governance Code

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

Compliance with the Model Code

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

Audit Committee

The Company has established an audit committee with written terms of reference in accordance with the requirements of the Listing Rules (the "**Audit Committee**"). As at the date of this announcement, the Audit Committee is comprised of five Directors, namely Mr. Shen Hongbo (chairman), Ms. You Jie, Mr. Chen Huabin, Mr. Wong Kwan Kit and Mr. Zhu Qin. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting procedures and internal control system. The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

Publication of Interim Results and Interim Report

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

The 2019 interim report of the Company that contains full information specified in the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.3healthcare.com).

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

Shanghai, the PRC
2 August 2019

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

** For identification purpose only*