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

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

(Stock Code: 6826)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

- For the year ended 31 December 2016, the revenue of the Group was approximately RMB851.16 million, representing an increase of approximately 28.2% as compared to 2015.
- For the year ended 31 December 2016, the profit attributable to ordinary equity holders of the parent (exclusive of exchange gains in relation to the foreign currency settlement from the Global Offering proceeds) was approximately RMB305.05 million, representing an increase of approximately 22.5% as compared to 2015.
- The Group has successively completed its acquisition of 60% equity interest in Shenzhen New Industries Material of Ophthalmology Co., Ltd.* (深圳市新產業眼科新技術有限公司) ("**Shenzhen NIMO**"), 100% equity interest in Henan Universe Intraocular Lens Research and Manufacture Company, Ltd* (河南宇宙人工晶狀體研製有限公司) ("**Henan Universe**"), 98% equity interest in Eyegood Medical (Zhuhai) Co. Ltd.* (珠海艾格醫療科技開發有限公司) ("**Zhuhai Eyegood**") and the hydrophilic and PMMA intraocular lens business of Aaren Scientific Inc. ("**Aaren Business**"), and intends to gradually enter into the industry of high-valued ophthalmology products to ensure the sustainable development of the Group.

- The Group continues to maintain its leading position in the industry: the Group's domestic market shares of intra-articular viscosupplement, anti-adhesion products and ophthalmic viscoelastic devices products further increased to 34.0%, 50.2% and 41.8% respectively in 2015, well ahead of their market participants; whilst the market share of recombinant human epidermal growth factor (rhEGF) products for external use ("**Healin**") continued to expand and reached 16.2%, ranking second in market share. On 23 February 2017, the 2017 Revision of the National Reimbursement Drug List (NRDL) lifted the restrictions on Healin as a reimbursable medication for employment injuries insurance, and reclassified Healin as a class B medical insurance products.

- The Group successfully obtained product licences from the China Food and Drug Administation ("**CFDA**") for the new high concentration ophthalmic viscoelastic devices ("**OVD**") product "Survise" and the second generation hyaluronic acid dermal filler product ("**HA dermal filler**") "Janlane" in May and September 2016 respectively, both of which were successfully launched to the market.

- The sales revenue of HA dermal filler "Matrifill" increased from approximately RMB87.26 million in 2015 to approximately RMB187.59 million for the Reporting Period, representing an increase of 115.0%.

- The Board proposed to declare a final dividend of RMB0.50 (inclusive of tax) per share or an aggregate of RMB80,022,650 for the year ended 31 December 2016. The final dividend for the year ended 31 December 2015 was RMB0.40 (inclusive of tax) per share or an aggregate of RMB64,018,120.

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**" or "**Haohai Biological Technology**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2016 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2015 as below:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Years ended 31 December

	Notes	2016 *RMB'000*	2015 *RMB'000*
REVENUE	4	851,157	663,917
Cost of sales		(141,551)	(105,073)
Gross profit		709,606	558,844
Other income and gains, net	4	88,500	98,744
Selling and distribution expenses		(287,757)	(242,100)
Administrative expenses		(90,190)	(58,878)
Research and development costs		(47,255)	(35,254)
Other expenses		(7,964)	(979)
Finance costs		(216)	—
Share of profits and losses of:			
An associate		1,161	270
PROFIT BEFORE TAX		365,885	320,647
Income tax expense	5	(55,258)	(47,341)
PROFIT FOR THE YEAR		310,627	273,306
Attributable to:			
Ordinary equity holders of the parent		305,052	273,474
Non-controlling interests		5,575	(168)
		310,627	273,306

	Notes	2016 RMB'000	2015 RMB'000
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		(1,587)	—
Exchange differences on translation of foreign operations		2,634	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,047	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		311,674	273,306
Attributable to:			
Ordinary equity holders of the parent		306,099	273,474
Non-controlling interests		5,575	(168)
		311,674	273,306
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
- For profit for the year	7	1.91	1.86

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As to 31 December

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		474,754	396,595
Prepaid land lease payments		30,888	31,626
Other intangible assets	8	295,406	3,262
Goodwill	9	292,084	—
Investment in an associate		—	11,202
Available-for-sale investments		64,226	—
Deferred tax assets		8,813	4,359
Other non-current assets		39,078	2,812
Total non-current assets		1,205,249	449,856
CURRENT ASSETS			
Inventories		117,953	78,063
Trade receivables	10	235,153	91,287
Prepayments, deposits and other receivables		124,802	24,917
Cash and bank balances		2,010,255	2,177,787
Total current assets		2,488,163	2,372,054
CURRENT LIABILITIES			
Trade payables	11	19,686	4,794
Other payables and accruals		442,451	112,272
Interest-bearing bank borrowings		26,666	—
Tax payable		47,352	23,927
Total current liabilities		536,155	140,993
NET CURRENT ASSETS		1,952,008	2,231,061
TOTAL ASSETS LESS CURRENT LIABILITIES		3,157,257	2,680,917

	Notes	2016 *RMB'000*	2015 *RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		75,600	—
Deferred tax liabilities		83,787	620
Deferred income		12,010	14,863
Total non-current liabilities		171,397	15,483
NET ASSETS		2,985,860	2,665,434
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		160,045	160,045
Reserves		2,743,947	2,501,866
		2,903,992	2,661,911
Non-controlling interests		81,868	3,523
Total equity		2,985,860	2,665,434

1. CORPORATE AND GROUP INFORMATION

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

During 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.

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows:

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%		
上海其勝生物製劑有限公司 Shanghai Qisheng Biologicals Co., Ltd.* ("**Shanghai Qisheng**")	PRC 27 May 1992	RMB160,000,000	100	—	Manufacture and sale of biological reagents, biologicals and biological materials
上海建華精細生物製品有限公司 Shanghai Jianhua Fine Biological Products Co., Ltd.*(1) ("**Shanghai Jianhua**")	PRC 20 October 1993	RMB30,000,000	100	—	Manufacture and sale of medical sodium hyaluronate, biologicals, biochemical and HA series skin care products

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC 3 September 2001	RMB150,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
上海柏越醫療設備有限公司 Shanghai Baiyue Medical Equipment Co., Ltd.* ("**Shanghai Baiyue**")	PRC 25 September 2014	RMB10,000,000	60	—	Sale of medical equipment
Haohai Healthcare Holdings Co., Ltd. ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD100	100	—	Investment and trading business
上海昊海醫藥科技發展有限公司 Shanghai Haohai Medical Development Technology Co., Ltd.*(2) ("**Haohai Development**")	PRC 19 February 2016	RMB510,000,000	100	—	Pharmaceutical technology development and investment holding
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd. ("**Henan Universe**") *(3)	PRC 23 April 1991	RMB9,923,200	—	100	Manufacture and sale of intraocular lens and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.*(4) ("**Shenzhen NIMO**")	PRC 27 April 2006	RMB11,000,000	—	60	Sale of ophthalmology products

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
珠海艾格醫療科技開發有限公司 Eyegood Medical (Zhuhai) Co., Ltd.*[(5)] ("**Zhuhai Eyegood**")	PRC 24 November 2000	RMB22,639,954	—	98	Manufacture and sale ophthalmology products
Aaren Laboratories, LLC[(6)] ("**Aaren Laboratories**")	USA 23 May 2016	USD1,000,000	—	100	Manufacture and sale of ophthalmology products

* English translations of names for identification purposes only.

Notes:

(1) During the Reporting Period, Shanghai Jianhua increased its paid-up capital from RMB15,000,000 to RMB30,000,000.

(2) Haohai Development was newly established in PRC on 19 February 2016 with a paid-up capital of RMB510,000,000.

(3) During the Reporting Period, the Group acquired a total 61.983% of equity shares of Henan Universe with a cash contribution of approximately RMB20,912,000.

(4) During the Reporting Period, the Group acquired a total 60% of equity shares of Shenzhen NIMO with a cash contribution of RMB360,000,000.

(5) During the Reporting Period, the Group acquired a total 98% of equity shares of Zhuhai Eyegood with a cash contribution of approximately RMB68,599,000.

(6) Aaren Laboratories was newly established in USA on 23 May 2016 with a paid-up capital of USD1,000,000.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost conversion. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016.A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment entities: applying the consolidation exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Amendments from Amendments to a number of IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*

The adoption of the above new and revised IFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

[4] No mandatory effective date yet determined but available for adoption.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

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 recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

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

Geographical information

Since the Group generates over 99% revenue through its operation in the mainland China and over 99% of the assets of the Group are located in Mainland China, geographical segment information as required by IFRS 8 *Operating Segments* is not presented.

Information about major customers

There was no customer, the revenue from which amounted to 5% or more of the Group's revenue during the Reporting Period.

4. REVENUE AND OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	Note	**2016** *RMB'000*	**2015** *RMB'000*
Revenue			
Sale of goods		851,157	663,917
Other income and gains			
Interest income from bank deposits		58,443	38,319
Interest income from available-for-sale investments		35	—
Government grants	i)	25,643	30,062
Exchange gains		1,855	28,747
Others		2,524	1,616
		88,500	98,744

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. INCOME TAX

The Company and its principal subsidiaries, except Haohai Holdings and Aaren Laboratories, are registered in the PRC and only have operations in Mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

In 2016, the Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua were accredited as high and new-tech enterprises (the "**HNTE status**") respectively, effective for the three years from 2014 to 2016 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2014 to 2016 for the Company, Shanghai Qisheng and Shanghai Jianhua. Shenzhen NIMO was accredited as the HNTE status, effective for the three years from 2015 to 2017 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2015 to 2017.

The applicable tax rate of other subsidiaries registered in the PRC (Shanghai Likangrui, Shanghai Baiyue, Haohai Development, Henan Universe and Zhuhai Eyegood) was 25% during the Reporting Period.

Haohai Holdings' profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting Period.

Aaren Laboratories' profits tax has been provided at the rate of 15% on the estimated assessable profits arising in the USA during the Reporting Period.

	2016	**2015**
	RMB'000	*RMB'000*
Current		
Charge for the year	56,251	46,051
Underprovision in prior years	407	337
Deferred	(1,400)	953
Total tax charge for the year	55,258	47,341

6. DIVIDENDS

	2016	**2015**
	RMB'000	*RMB'000*
Proposed final — RMB0.50 (2015: RMB0.40) per ordinary share	80,023	64,018

The directors of the Company proposed to declare a final dividend of RMB0.50 (inclusive of tax) per ordinary share (2015: RMB0.40), totally amounting to RMB80,022,650 (2015: RMB64,018,120) for the year ended 31 December 2016. The proposed final dividend for 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 160,045,300 (2015:146,985,960) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	305,052	273,474
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	160,045,300	146,985,960

8. OTHER INTANGIBLE ASSETS

	Patents	Non-patent technology	Software	Customer relationship	Brand	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
Cost at 1 January 2016, net of accumulated amortisation	3,235	—	27	—	—	3,262
Acquisition of subsidiaries	—	39,519	—	220,401	35,107	295,027
Amortisation provided during the year	(762)	(430)	(27)	(2,498)	—	(3,717)
Exchange realignment	—	435	—	—	399	834
At 31 December 2016	2,473	39,524	—	217,903	35,506	295,406
31 December 2016						
Cost	11,588	40,503	143	220,401	35,506	308,141
Accumulated amortization	(9,115)	(979)	(143)	(2,498)	—	(12,735)
Net carrying amount	2,473	39,524	—	217,903	35,506	295,406

	Patents	Non-patent technology	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation	3,994	—	56	4,050
Amortisation provided during the year	(759)	—	(29)	(788)
At 31 December 2015	3,235	—	27	3,262
31 December 2015				
Cost	11,588	535	143	12,266
Accumulated amortisation	(8,353)	(535)	(116)	(9,004)
Net carrying amount	3,235	—	27	3,262

9. GOODWILL

	2016	2015
	RMB'000	*RMB'000*
At the beginning of the year	—	—
Acquisition of subsidiaries	291,872	463
Impairment during the year	—	(463)
Exchange realignment	212	—
At the end of the year	292,084	—

The carrying amount of goodwill allocated to each of the cash-generating unit is as follows:

	Shenzhen NIMO		Aaren Business		Zhuhai Eyegood		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of goodwill	252,308	—	18,943	—	20,833	—	292,084	—

10. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	257,307	96,007
Impairment	(22,154)	(4,720)
	235,153	91,287

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with certain major customers with good repayment history and good reputation are on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the Reporting Period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	171,333	71,776
3 to 6 months	45,723	12,857
6 months to 1 year	16,001	6,438
1 to 2 years	2,024	212
2 to 3 years	72	4
	235,153	91,287

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	4,720	3,276
Arising from acquisition of subsidiaries	12,643	—
Impairment losses recognised	4,791	1,478
Impairment losses reversed	—	(34)
	22,154	4,720

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB10,006,000 (2015: RMB57,000), mainly from acquired subsidiaries, with carrying amounts before provisions of RMB12,101,000 (2015: RMB273,000) , based on aged analysis. The others are for collectively impaired trade receivables at the end of the Reporting Period.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

At the end of the reporting period, the Group did not have any trade receivables which were neither individually nor collectively considered to be impaired.

11. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	19,686	4,794

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	14,180	4,745
3 months to 1 year	2,994	49
Over 1 year	2,512	—
	19,686	4,794

The trade payables were non-interest-bearing and were normally settled on 30 to 90 day terms.

Business Review and Prospect

The year of 2016 was the opening year for China's 13th Five-Year Plan, and also a year full of challenges and accomplishments for the medical and pharmaceutical industry. In 2016, the reform of the medical and pharmaceutical system in China upheld the momentum of 2015 with frequent industrial movements and promulgation of new policies, in particular policies promoting the tendering for drugs and medical equipment with an aim to lower retail prices and the implementation of various policies for the control of overall medical expenditures such as the "double control" policies (in terms of volume and level of fees) relating to medical insurance, posing a number of challenges of varying degrees to the medical industry in respect of the manufacturing and sales of products in mainland China. However, with a series of reform initiatives aimed at regulating the overall development trends in the medical and pharmaceutical industry, many important opportunities for industry consolidation have emerged among established industry leaders.

During the Reporting Period, the Group offered a keen response to the reforms in the pharmaceutical and healthcare system in China. In order to better adapt to the ever-changing tender policy and the highly competitive market environment, the Group took the initiative to adjust the selling prices of some of its products. Meanwhile, the Group focused on its core business of absorbable biomedical materials and enhanced budgeting, operation and management through refined marketing management to improve operational efficiency. The Group also focused on optimizing its product portfolio and facilitating service upgrade, which has enabled the continuous growth in the sales volume of various series of products to secure steady growth of the Group's principal business.

While making the greatest efforts to ensure the healthy development of its existing product lines for absorbable biomedical materials, the Group is taking steady steps to penetrate the ophthalmological consumable materials industry (which is known for its high added value) through the point of entry in the market of intraocular lens (the core medical device for cataract surgery), by means of acquisition and integration with domestic and foreign enterprises with mature products, high-end technologies and valuable marketing resources to ensure the sustainable development of the Group. During the Reporting Period, the Group completed a number of acquisitions, including that of the 60% equity interests in Shenzhen NIMO, 100% equity interests in Henan Universe, 98% equity interests in Zhuhai Eyegood and the Aaren Business.

During the Reporting Period, the Group totally recorded a turnover of approximately RMB851.16 million, representing an increase of RMB187.24 million or approximately 28.2% as compared to approximately RMB663.92 million for 2015. The Group's revenue by the therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	2016		2015		**Percentage increase**
	RMB'000	***%***	*RMB'000*	*%*	***%***
Orthopedics products	**287,250**	**33.8%**	284,049	42.8%	1.1%
Medical aesthetics and wound care products	**225,104**	**26.4%**	122,343	18.4%	84.0%
Ophthalmology products	**120,068**	**14.1%**	72,403	10.9%	65.8%
Anti-adhesion and hemostasis products	**211,094**	**24.8%**	178,999	27.0%	17.9%
Other products	**7,641**	**0.9%**	6,123	0.9%	24.8%
Total	**851,157**	**100.0%**	663,917	100.0%	28.2%

During the Reporting Period, the profit attributable to ordinary equity holders (exclusive of exchange gains in relation to the foreign currency settlement from the Global Offering proceeds) of the parent amounted to approximately RMB305.05 million, representing an increase of RMB56.01 million or 22.5% as compared to RMB249.04 million for 2015. The basic earnings per share were RMB1.91 (2015: RMB1.86).

During the Reporting Period, the increase in revenue and cost of the Group was mainly driven by the growth of sales. While the sales volume of the recurring core products continued to grow steadily, the best-selling products newly launched in the past two years, including HA dermal filler "Matrifill" and the medical chitosan used for intra-articular viscosupplement (骨關節腔注射) "Chitogel" have won extensive recognition for their quality and clinical efficacy. With the consistent reputations, these products rapidly gained their respective market shares and have become a new important growth driver to the Group's revenue.

On the contrary, the overall gross profit margin of the Group decreased slightly from 84.2% for 2015 to 83.4% for the Reporting Period, primarily attributable to the fact that the Group proactively adjusted the selling prices of certain products in order to better adapt to the fast-changing tender policies and the highly competitive market environment, which resulted in a slight decrease in gross profit margin.

Orthopedics Products

We currently manufacture and sell two products used for intra-articular viscosupplement, one is made of medical sodium hyaluronate and the other is made of medical chitosan. Intra-articular viscosupplementation has been proven to be a safe and effective treatment for degenerative osteoarthritis.

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

	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
Sodium hyaluronate injection	**202,372**	**23.8%**	227,785	34.3%
Medical chitosan "Chitogel"	**84,878**	**10.0%**	56,264	8.5%
	287,250	**33.8%**	284,049	42.8%

According to the research reports of China Food and Drug Administration Southern Medicine Economic Research Institute and Guangzhou Biaodian Medicine Information Co., Ltd.* (廣州標點醫藥信息股份有限公司), we were the largest manufacturer of intra-articular viscosupplement products in China in 2015 for the second consecutive year where our market share increased to 34.0% in 2015 from 31.7% in 2014.

Sodium hyaluronate injection

During the Reporting Period, the Group's revenue from the sales of sodium hyaluronate injection product was approximately RMB202.37 million, representing a decrease of RMB25.42 million or approximately 11.2% from RMB227.79 million for 2015.

The year of 2015 represented a great divide in policy in the 15-year history of China's centralised procurement of pharmaceutical products. In May 2015, the National Development and Reform Commission ("**NDRC**") issued the "Circular on the Printing and Distribution of Opinions on Advancing the Reform of Drug Price" ("**Circular No. 904**"). In the same year, the State Council promulgated the Guiding Opinions of the General Office of the State Council on Enhancing Centralised Procurement of Pharmaceutical Products by Public Hospitals《(國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) ("**Circular No. 7**"). In order to further facilitate the implementation of Circular No. 7, the National Health and Family

Planning Commission thereafter issued the "Circular on Implementation of the Guiding Opinions on Enhancing Centralised Procurement of Pharmaceutical Products in Public Hospitals" (《關於落實完善公立醫院藥品集中採購工作指導意見的通知》) ("**Circular No. 70**"), whereby the provincial and local governments introduced local policies one after another according to the instruction of the central government. Under the further downward pressure on drug bidding price and the full implementation of double control measures in terms of the level and volume of social medical insurance expenditures, the profit margin of medical and pharmaceutical industry was diminishing. As at the date of this announcement, a new round of pharmaceutical tenders was still in progress among most of the provinces, which, from an objective perspective, hampered drug distributors' willingness to place purchase orders. During the Reporting Period, in response to the changes in national policies, the Group adjusted the selling prices in certain regions with an aim to ensure that the sodium hyaluronate injection product expands its market coverage throughout China. Although the sales revenue from the sodium hyaluronate injection product decreased in 2016, as a significantly efficacious product extensively used in the world, the sodium hyaluronate injection product still has an extremely low penetration rate in the Chinese market. We believe that, with the increasing popularity and acceptance among patient groups in China, the sodium hyaluronate injection product has a future sales growth potential which cannot be overlooked.

Medical chitosan "Chitogel"

The Group's revenue from the sales of medical chitosan "Chitogel" was approximately RMB84.88 million for the Reporting Period, representing an increase of RMB28.62 million or 50.9% from approximately RMB56.26 million for 2015.

Medical chitosan "Chitogel" is a unique 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 osteoarthritis and is helpful in minimizing joint pains and improving joint mobility. Medical chitosan has effective antimicrobial and hemostatic functions, a longer *in vivo* retention time and long-lasting therapeutic effect. The Group's medical chitosan "Chitogel" 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.

The Group officially launched medical chitosan "Chitogel" in the second quarter of 2014, and the management of the Company has established a professional marketing team for the product. After two years of market development and professional promotion, its stable quality and significant efficacy are now recognized by an increasing number of doctors and patients. During the Reporting Period, the

medical chitosan "Chitogel" successfully strengthened its foothold in Beijing and Shanghai and secured a rapid growth in sales in Guangdong, Liaoning, Shandong, Jiangsu, Hubei and Heilongjiang, and in addition the markets of a number of other provinces and cities, including Hebei and Ningxia have been entered into with actual sales recorded.

Medical aesthetics and wound care products

During the Reporting Period, the Group manufactured and sold two products for medical aesthetics and wound care, including HA dermal filler "Matrifill" and rhEGF "Healin". HA dermal filler "Matrifill" can correct moderate to severe facial wrinkles and folds, and rhEGF "Healin" can expedite the repair of skin wounds on epidermis and mucosa which can be applied topically to various acute or chronic wounds, and can be used for epidermis wound repair and care subsequent to laser cosmetology surgery.

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

	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
HA dermal filler "Matrifill"	**187,585**	**22.0%**	87,255	13.1%
rhEGF "Healin"	**37,519**	**4.4%**	35,088	5.3%
	225,104	**26.4%**	122,343	18.4%

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was approximately RMB225.10 million, representing an increase of RMB102.76 million or approximately 84.0% from RMB122.34 million for 2015.

HA dermal filler "Matrifill"

HA dermal filler "Matrifill", a product launched in the market by the Group in 2014, is the first mono-phase HA dermal filler for injection approved by the CFDA. It can, through injection into dermis layer, fill facial defect and folded areas to achieve wrinkle removal and facial shaping. This is a product successfully self-developed by the Group after years of research anddevelopment, and is proven by large-scale

randomized clinical trial (with approximately 550 cases) to have a good shaping effect and excellent performance in durability.

In September 2016, "Dermatologic Surgery", the core journal of American Society for Dermatologic Surgery published a professional article, which cited part of the clinical trial data of Shanghai Ninth People's Hospital, Southwest Hospital, Nanfang Hospital, Changzheng Hospital, Changhai Hospital, 304 Hospital, 301 Hospital and Peking University Third Hospital. Such trial lasted for four years and was the first dermal filler clinical trial in the largest scale in terms of sampling size so far in China. Through clinical, randomized and double-blinded comparison, experts found that the required dosage of HA dermal filler "Matrifill" was lower that an internationally renown brand for achieving the same therapeutic effects, thus the cosmetic injection effect of HA dermal filler "Matrifill" was recognized by internationally authoritative academic institutions.

The medical beauty market in China is experiencing rapid growth. Along with the growth of social wealth, a new consumption pattern evolves. Under the strong demand in the profit-driven market, the speed of upgrade of medical beauty products and related technology is accelerating. Not only would these new products and technology satisfy consumer demand, but they also attract more consumers through increasing by sufficient product supply, improving clinical efficacy and change of consumption concept of the new generation. Meanwhile, attracted by the relatively high profit margin from medical beauty products, more competitors attempted to enter the market and share the growth of the industry. In 2016, more hyaluronic acid dermal filler products were launched to the market. As of 31 December 2016, 15 products were approved by the CFDA (as of 31 December 2015: 10 products were approved). However, due to many inconsistent practices in the medical aesthetics industry, the government regulation is getting more stringent to enhance industry compliance. As such, the industry will undergo a market selection process under the principle of "survival of the fittest". This could be a challenge to the industry peers with higher demand in terms of strength in research and development, technology innovation, product quality control and marketing innovation.

Leveraging on its highly competitive research and development in biomedical materials, manufacturing and marketing platforms and technology in the production and quality control of sodium hyaluronate products, the Group fostered the market recognition of domestic high-end HA dermal filler "Matrifill" products with a professional approach.

In addition, the Group established an independent professional marketing team for HA dermal filler "Matrifill". With the integrated mode of direct sales to hospitals and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. The management of the Company believes that the traditional and one-sided marketing approach will no longer satisfy the increasingly personalized demands of medical and aesthetic consumer groups. Therefore, the marketing team of the Group strived to enhance the consumer experience through multi-dimensional services for medical institutions, practitioners and consumers; build brand attributes and dominate the life-style of consumer groups so as to improve the product adhesiveness and vitality.

During the Reporting Period, the sales revenue of the HA dermal filler "Matrifill" products increased to approximately RMB187.59 million, representing an increase of 115.0% from approximately RMB87.26 million in 2015.

Meanwhile, the Group's self-developed second generation of HA dermal filler "Janlane" has completed the registration for medical device with CFDA on 8 September 2016 and was duly launched on 24 February 2017. HA dermal filler "Janlane" is mainly promoted for its filling function, and based on its characteristics and efficacy, it will have differentiated positioning from and supplementary development with HA dermal filler "Matrifill" (which focuses on shaping), leading the trend of combined application with Hyaluronic Acids in the non-invasive medical aesthetic market in the PRC. Moreover, the third generation of HA dermal filler products ("**QST gel**") of the Group has successfully been entered into the clinical trial phase as well. The Group can accordingly sustain its leading market position in research and development, production and sales, and will achieve the combined effects of serialization and differentiation for products in the medical aesthetic and wound care sector in order to satisfy market needs which are being increasingly segmental and diversified.

The Group will leverage on its continuous innovation in research and development, stable product quality, sound clinical efficacy and effective market management to build a professional leading domestic brand in the area of non-invasive medical aesthetic in the PRC.

Recombinant Human Epidermal Growth Factor ("rhEGF") "Healin"

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

According to the research reports of China Food and Drug Administration Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the Group strengthened its market position as the second largest manufacturer of rhEGF products in China in 2015 whereas the market share of rhEGF "Healin" continued to increase from 15.3% in 2014 to 16.2% in 2015, further narrowing down the difference with the market leading product.

On 23 February 2017, the Ministry of Human Resources and Social Security of the People's Republic of China officially issued the 2017 NRDL, rhEGF "Healin" was reclassified to "Class B" medical insurance products following expert's assessment since it was limited to work-related injury insurance products on the 2009 NRDL. The Group believes the sales of rhEGF "Healin" will soon experience a rapid growth opportunity.

Ophthalmology Products

The Group currently manufactures and sells three types of ophthalmology products, including three OVD products, five intraocular lens, one lubricant eye drops product and other ophthalmology high-valued materials.

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

	2016		2015	
	RMB'000	***%***	*RMB'000*	*%*
OVD products	**76,632**	**9.0%**	71,032	10.7%
Intraocular lens	**39,975**	**4.7%**	—	—
Lubricant eye drops	**2,208**	**0.3%**	1,371	0.2%
Others	**1,253**	**0.1%**	—	—
	120,068	**14.1%**	72,403	10.9%

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB120.07 million, representing an increase of approximately 65.8% or RMB47.67 million from RMB72.40 million in 2015.

OVD products are the necessary devices for cataract surgery and can be used for other ophthalmic operations. Among the main brands of OVD products in the PRC, the Group's products have prominent competitive advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the research reports of China Food and Drug Administration Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the Group's OVD products was 41.8% in 2015 and accounted over 40% market share for the past nine consecutive years, making the Group the largest OVD product manufacturer in the PRC.

In May 2016, the Group successfully obtained the CFDA product licence for the new high concentration OVD "Survisc", which was officially launched in September 2016. The launch of the new high concentration OVD "Survisc" will help to enhance the OVD products of the Group; further expand the comparative advantage against the imported overseas brands of the same type of products and increase the market share of the Group.

During the Reporting Period, the Group entered into the intraocular lens industry by gradually acquiring equity interests in companies such as Shenzhen NIMO, Henan Universe, Zhuhai Eyegood and the Aaren Business. Intraocular lens are core materials in cataract surgery, and can create significant synergy effect when integrated with the Group's existing OVD products and Eyesucom (product of lubricant eye drops), which not only extend the Group's ophthalmology products line but also expand the Group's recognition in cataract surgery market. During the Reporting Period, revenue from the sales of intraocular lens was primarily from Shenzhen NIMO and Henan Universe after they were acquired by the Group.

Anti-Adhesion and Hemostasis Products

The Group currently manufactures and sells five post-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 revenue breakdown 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):

	2016		2015	
	RMB'000	**%**	*RMB'000*	*%*
Medical chitosan	**115,575**	**13.6%**	108,914	16.4%
Medical sodium hyaluronate gel	**79,725**	**9.4%**	60,303	9.1%
Medical collagen sponge ("奇特邦")	**15,794**	**1.8%**	9,782	1.5%
	211,094	**24.8%**	178,999	27.0%

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB211.09 million, representing an increase of approximately RMB32.09 million or 17.9% as compared to RMB179.00 million in 2015.

Anti-Adhesion Products

According to the research reports of China Food and Drug Administration Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the anti-adhesion products further increased from 48.0% in 2014 to 50.2% in 2015, making the Group the largest anti-adhesion product manufacturer in the PRC for the past eight consecutive years.

In June 2015, the Society of Gynecology and Obstetrics of the Chinese Medical Association (中華醫學會婦產科學分會, the "**Society**") published the "Consensus of Chinese Experts on the Prevention of Abdominal Adhesions after Gynecologic Surgery (2015)" (預防婦產科手術後盆腹腔粘連的中國專家共識(2015)), which clearly indicated the risks of post-operative adhesions and the necessity of preventing adhesions. The Society thereafter adopted anti-adhesion materials based on the recommendation suggested by evidence-based medicine. In July 2016, a panel consisting 13 gynecologic experts jointly published the "Consensus of Chinese Experts on the Prevention of Caesarian Section Adhesions (2016)" (預防剖宮產粘連的中國專家共識(2016)) (the "**Consensus**") in Chinese Journal of Practical Gynecology and Obstetrics in connection with the current situation of caesarian section in China. The Consensus indicated that caesarian section adhesions may lead

to various complications such as pain, infertility and obstipation. In order to prevent and reduce caesarian section adhesions, pregnant women with high risks of adhesion are recommended to use anti-adhesion materials, among which medical sodium hyaluronate gel and the Group's exclusively-owned carboxyl-methylated chitosan (medical chitosan) have once again been listed as recommended materials according to the expert consensus.

The management of the Company believes that with the promotion of the above Consensus, anti-adhesion products will be increasingly emphasized by both doctors and patients. It will facilitate the implemention of the provincial and national cost catalogue and medical insurance, enhancing the ease of post-operative use of anti-adhesion products in abdominal and oncology surgery, hence radically increasing clinical usage and further promoting the growth of the sales of anti-adhesion and hemostasis products of the Group.

Medical Collagen sponge "奇特邦"

Medical collagen has good hemostatic effect, and thus become a unique biomedical material used in surgical operations for gynaecology and obstetrics, otolaryngology, brain surgery and general surgery. Our Medical Collagen Sponge "奇特邦" is the refined type I collagen extracted from bovine tendon, produced using the advanced freeze-drying technology, and enable quick hemostasis and accelerate and promote wound healing. In the meantime, our Medical 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.

During the Reporting Period, through strengthening marketing and promotion, the Group derived revenue of approximately RMB15.79 million from the sales of Medical Collagen Sponge "奇特邦", representing an increase of approximately RMB6.01 million or 61.5% as compared to RMB9.78 million in 2015.

Research and Development ("R&D")

The Group owns three R&D bases which are named as Shanghai municipal R&D institutions, one national postdoctoral R&D workstation and one Shanghai municipal academician expert workstation. As at 31 December 2016, the Group's in-house R&D team comprised 183 staff members, of which 151 were degree holders or above, 12 were doctorate degree holders and 52 were master's degree holders. All core products of the Group were primarily developed by its in-house R&D team with the support of various colleges and universities, research institutes and sizable Grade III hospitals across China.

As at 31 December 2016, the Group owns 36 product licenses and 26 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 1 product; clinical trials for 3 product have been completed and are now at the stage of product registration; 10 products are undergoing different stages of clinical trials or type inspection; and 12 products are undergoing the stages of preclinical study or technology study.

In the short to medium term, the Group will focus on the development of the third generation of HA dermal filler "QST gel", fibrin sealant products, second generation of thermal-sensitive chitosan products and new intraocular lens products, and expand specification and indication of the Group's existing products in the market.

In the long term, the Group intends to expand its R&D capabilities to further develop the medical chitosan technology platform, which is elected and supported by the National High-Tech R&D Program (863 Program) and the Major Project of National Science and Technology under the Twelfth Five-Year Plan, as well as the electrospinning technology platform (elected and supported by the Major Project of National Science and Technology) to further expand the Group's product offerings in the product sectors of sustained-release preparations, new compound anti-adhesion and hemostasis membrane products.

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

Sales and Product Marketing

The Group operates the marketing model of combining distribution and direct sales, and owns extensive and effective sales network in China.

As at 31 December 2016, the Group's distribution network comprised over 1,800 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions in China. In addition to the distribution network, the Group also had four professional teams, namely, specific markets, medical, commercial and sales teams who are responsible for formulating standardized marketing and sales policies, providing product training, academic promotion, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Group's products and keeping abreast of market changes. The four teams work independently yet complementing each other, proving the focused beneficial resources of the Group which assist the Group's product to occupy markets fast and effectively.

During the Reporting Period, the Group derived revenue of approximately RMB634.97 million from the sales of its products through distributors, which accounted for 74.6% of the Group's sales revenue and approximately RMB216.19 million from direct sales, which accounted for 25.4% of the Group's sales revenue.

The management of the Company believes that the Group's broad coverage of hospitals and other medical institutions and its capabilities of identifying and monitoring distributors are serving as the major competitive strengths. Accordingly, the Group is able to acquire adequate market information for accurate positioning of newly developed products, and to effectively promote them to the target market by means of its outstanding distributors and sales network with broad coverage. As a result, this lays a solid foundation for continuously enhancing the reputation of the Group's offerings and brand, expanding the market share and increasing the sales of the products.

OPERATING PROSPECTS OF 2017

Recently, the continual growth of the medical and pharmaceutical and healthcare industry in China is driven by a combination of favourable socioeconomic factors. However, following the announcement and implementation of various policies, the reform of pharmaceutical and healthcare system in China has been further deepened. Tendering reforms such as the Sunshine Procurement Platform, Beijing-Tianjin-Hebei Integration and the Zhejiang Model are propelling industry integration, transformation of operating models and price competition within the industry. The management of the Company believes that the year of 2017 will be full of challenges for the medical and pharmaceutical industry in China. Meanwhile, along with the efforts in advancing the notion of building a healthy China, the localization progress of medical and pharmaceutical industry and weeding out obsolete capacities, enterprises benefiting from the economy of scales and in possession of advanced technologies, well established brands, marketing competitive edge and industrial integration capabilities will experience invaluable development opportunities.

In 2017, the Group will continue to put the proceeds raised to effective use, extend to the upstream and downstream section of the industry chain or expand its business scale horizontally while consolidating the existing business proactively, and identify suitable target companies actively within the existing four major therapeutic segments of the Group in achieving expansionary business growth by means of

acquisition, capital injection or equity investment. Meanwhile, the Group will continue to focus on the organic growth of the existing segments by the following means:

- upgrading the level of artifical intelligence and digitalization of manufacturing facilities to improve the quality of products and production efficiency;

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

- pushing forward the upgrade of existing products, expanding investment in R&D of innovative products to fulfil market demands and promoting the clinical applications of products;

- taking a series of marketing measures to intensify market penetration of original competitive products and through a refined multi-dimensional marketing strategy, expanding the coverage of the new products on key hospitals and areas;

Orthopedics Products

The comparison of certain major aspects of the Group's two types of orthopedics products is as follows:

	Sodium hyaluronate injection	**Medical chitosan**
Classification of registration	Medicine	Class III medical device
Specification	2ml, 3ml	1ml, 2ml, 3ml
Indications	Degenerative osteoarthritis of the knee	As the joint lubricant, suitable for taking precaution of traumatic or degenerative osteoarthritis.
Treatment	Once a week, 4-5 weeks as one treatment	Once in two weeks, 2-3 times as one treatment

	Sodium hyaluronate injection	Medical chitosan
Range of retail prices*	RMB100~200	RMB300~700
Coverage of medical insurance	Class B product under the National Reimbursement Drug List	Mechanic medical insurance (for certain regions)

* *for 2 millilitres*

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer history and possessed the advantages of high clinical recognition and relatively broad application. In 2017, the Group will follow the national policy and proactively respond to the reform of bidding and tender. The Group will also adjust the selling price of sodium hyaluronate injection to a certain extent to benefit more patients and stabilize the extensive coverage of the Group's sodium hyaluronate injection product in the market of intra-articular viscosupplement products.

On the other hand, Chitogel, the Group's exclusively-owned medical chitosan product used for intra-articular viscosupplement, is the only Class III medical device product with the registration certificate in China. The product is characterized by its antimicrobial and hemostatic functions and it has the significant advantages of minimized injection dosage and long-lasting therapeutic effect because of a longer *in vivo* retention time. With the above characteristics taken into account, the management of the Company has (i) designated differentiated clinical applications, (ii) target market and price positioning for the medical chitosan "Chitogel", (iii) actively enhanced their marketing promotion and sales, and (iv) strived to penetrate the market where the medical chitosan "Chitogel" has not yet been included in the provincial medical insurance coverage, to secure the overall profitability of orthopedics products through the continuous growth in sales of the medical chitosan "Chitogel" which has a high profit margin. The management of the Company believes that, by the effective implementation of the above strategies, the synergic growth of these two types of orthopedics products can be achieved, securing the leading position of the Group in the market of intra-articular viscosupplement products in China.

Medical Aesthetics and Wound Care Products

In 2017, leveraging on its highly competitive R&D, manufacture and sales platforms in medical biological materials, the comprehensive superiority in the processing technology and quality control of hyaluronic acid products, the Group will continue to provide safe, effective and high-quality products for medical institutions and consumers. With the existing HA dermal filler "Matrifill" and HA dermal filler "Janlane" as well as the product series to be launched subsequently, the increasingly refined and diversified market demands can be satisfied. With regards to marketing, the Group will be proactive in expanding the coverage in medical institutions while exploring the market of its key commercial partners.

Ophthalmology Products

The Group focuses on the investment and industrial integration of the high-valued materials and diagnosing equipment used in ophthalmology surgery in China. In 2017, leveraging on its management team's brilliant track record, resource advantages and rich experiences in identifying, acquiring and integrating strategic assets, the Group will continue to seek strategic domestic and overseas merger and acquisition targets with reasonable valuation. Acquisition and integration of desired domestic and overseas enterprises with matured products, high-end technology and market resources will lead to the domestic industrialization of overseas matured intraocular lens production technology, re-development and enhancement of the productivity, quality and market competitiveness of domestic enterprises, and finally, replacement of imported products. Meanwhile, intraocular lens products will be integrated with the Group's OVD products and "Eyesucom" (product of lubricant eye drops) to form a product mix, so as to achieve synergy and expand the competitive edge of the ophthalmology products of the Group.

Anti-Adhesion and Hemostasis Products

In respect of the current market pattern of anti-adhesion products, there are various types of products in the Chinese market and market concentration is relatively high. The top three manufacturers, in aggregate, represent nearly 80% of the market share. Recently, more challenges are posed during product renewal and new product registrations as the government continued to raise demands on product quality. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. Meanwhile, the Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. Currently, the Group can manage to provide the series of products with the most comprehensive and integrated

specifications. The detailed designs render the products more user-friendly and further tailored for clinical needs, cultivating so brand preference of medical practitioners as a result. In 2017, the Group will enhance the market recognition and acceptance of products among clinical surgery by putting more efforts in professional promotion, preparing for the rapid growth of the products.

Financial Review

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate operating revenue of approximately RMB851.16 million, representing an increase of 28.2% as compared to 2015, which was primarily attributable to the increased sales volumes of the Group's major products. Following the growth in revenue, the cost of sales of the Group amounted to approximately RMB141.55 million, representing an increase of 34.7% as compared to 2015.

The overall gross profit margin of the Group slightly decreased from 84.2% in 2015 to 83.4%, primarily due to the fact that selling prices of certain products were adjusted by the Group to adapt to the fast changing tender policy and the highly competitive market environment, which led to a slight decrease in gross profit margin. In general, the gross profit margin of the Group was still at a relatively high level.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from approximately RMB242.10 million in 2015 to approximately RMB287.76 million for the Reporting Period, representing an increase of RMB45.66 million. The proportion of selling and distribution expenses to the Group's total revenue slightly decreased from 36.5% in 2015 to 33.8% for the Reporting Period, primarily due to the lower selling expenses of Shenzhen NIMO and Henan Universe acquired by the Group during the Reporting Period. Moreover, the Group had a higher amount of marketing expenses relating to medical chitosan "Chitogel" and HA dermal filler "Matrifill" etc. in 2015, which also resulted in the proportion of selling and distribution expenses to the Group's total revenue in 2015 being at a relatively high level.

Administrative Expenses

The administrative expenses of the Group increased from approximately RMB58.88 million recorded for 2015 to approximately RMB90.19 million for the Reporting Period, representing an increase of approximately RMB31.31 million, primarily due to the increase of number of administrative staff due to business expansion, the

increase in service fees of professional institutions and travelling expenses with respect to the business acquisitions of the Group. Meanwhile, the acquired subsidiaries also incurred administrative expenses of approximately RMB10.00 million in the consolidated statement of profit or loss for the Reporting Period. During the Reporting Period, the proportion of administrative expenses to the Group's total revenue was 10.6%, (2015:8.9%).

R&D Expenses

The R&D expenses of the Group increased from approximately RMB32.25 million recorded for 2015 to approximately RMB47.26 million for the Reporting Period, representing an increase of approximately RMB15.01 million, primarily due to the increase in the number of the R&D team members and pipeline products of the Group. During the Reporting Period, the proportion of R&D expenses accounted for 5.6% (2015: 5.3%) of the total revenue of the Group. With the Group's deep product pipeline reserve and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for the sustainable growth of the Group in the future.

Income Tax Expense

The income tax expense of the Group increased from approximately RMB47.34 million in 2015 to approximately RMB55.26 million for the Reporting Period, representing an increase of approximately RMB7.92 million.

During the Reporting Period, the effective rate of income tax for the Group was approximately 15.1% (2015: 14.8%) and remained stable.

Results of the Year

During the Reporting Period, profit attributable to ordinary equity holders of the parent (exclusive of exchange gains in relation to the foreign currency settlement from the Global Offering proceeds) was approximately RMB305.05 million, (2015: RMB249.04 million), representing an increase of 22.5% as compared to 2015.

During the Reporting Period, the basic earnings per share were RMB1.91 (2015: RMB1.86). The results of the Reporting Period realized a steady growth, primarily attributable to the growth of revenue from sales and the enhanced profitability of the Group.

Liquidity and Capital Resources

As at 31 December 2016, the total current assets of the Group was approximately RMB2,488.16 million, representing an increase of RMB116.11 million as compared to the amount at the end of 2015, and the total current liabilities was approximately RMB536.16 million, representing an increase of RMB395.17 million as compared to the amount at the end of 2015. As at 31 December 2016, the Group's current assets to liabilities ratio was approximately 4.64 (2015: 16.82).

During the Reporting Period, the net cash inflow from operating activities of the Group was approximately RMB254.49 million, representing a slight decrease of RMB14.02 million as compared to RMB268.51 million for 2015. The net cash outflow from the investment activities of the Group was approximately RMB1,511.24 million, representing an increase of RMB1,361.99 million as compared to RMB149.25 million in 2015, primarily due to the significant equity payment in relation to business acquisition.

Employees and Remuneration Policy

The Group had 886 employees as of 31 December 2016. The breakdown of our total number of employees by function was as follows:

Production	321
Research and Development	183
Sales and Marketing	231
Supply	22
Administration	129
Total	886

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provided various and thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB115.36 million. The management of the Company will continue to combine the human resources management and enterprise strategies

to recruit professionals according to the changes of the internal and external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Treasury Policies

The Group adopts centralized financing and treasury policies designed to strengthen the control on bank deposits and to ensure the security 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 31 December 2016, the Group did not have any asset pledge.

Gearing

As at 31 December 2016, the total liabilities of the Group amounted to approximately RMB707.55 million and the gearing ratio ((total liabilities/total assets) x 100%) was 19.2% as compared to 5.55% for 2015. The increase as compared to the end of 2015 was primarily attributed to the business acquisition during the Reporting Period.

Bank Borrowing

As at 31 December 2016, the acquired subsidiary, Shenzhen NIMO, had interest-bearing bank loans approximately RMB 26.67 million.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 31 December 2016, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Material Events after the Reporting Period

As at 31 December 2016, there were no significant events after the Reporting Period.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB0.50 (inclusive of tax) per share or an aggregate of RMB80.02 million for the year ended 31 December 2016 (2015: RMB0.40 (inclusive of tax) per share or an aggregate of RMB64.02 million).

The aforesaid proposal is subject to the consideration and approval at the annual general meeting ("**AGM**"). If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended 31 December 2016 will be paid on or before Friday, 28 July 2017 to the shareholders.

For the detailed arrangement of the declaration and distribution of the final dividend, the Company will announce separately.

ANNUAL GENERAL MEETING

The 2016 AGM will be held on Friday, 2 June 2017. The notice of 2016 AGM will be posted to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the holders of H shares who are entitled to attend the AGM, the H shares registrar and transfer office will be closed from Wednesday, 3 May 2017 to Friday, 2 June 2017, both days inclusive, during which no transfer of shares will be registered. In order to determine the shareholders of H shares who are entitled to receive the final dividend for the year ended 31 December 2016, the H shares registrar will be closed between Saturday, 10 June 2017 and Friday, 16 June 2017, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the AGM, holders of H shares shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the head office of the Company at 23/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, China for holders of domestic shares for registration at or before 4:30 p.m. on Tuesday, 2 May 2017.

For qualifying to receive the final dividend for the year 2016, holders of H shares whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the head office of the Company at 23/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, China for holders of domestic shares for registration at or before 4:30 p.m. on Friday, 9 June 2017.

CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

The Company has established an audit committee and the audit committee comprises five directors, namely Mr. Shen Hongbo, Ms. You Jie, Mr. Chen Huabin, Mr. Li Yuanxu and Mr. Zhu Qin and is chaired by Mr. Shen Hongbo. The primary duties of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the Company's financial reporting procedures and internal control system. The Group's audited consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in this results announcement have been agreed by the Group's international auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

The Company's 2016 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders and will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com) and the Company's website (www.3healthcare.com) in due course.

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

Shanghai, the PRC, 30 March 2017

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

** For identification purpose only*