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 2016

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

- The unaudited revenue was approximately RMB372,936,000, representing an increase of approximately 19.1% as compared to the corresponding period in 2015.
- The unaudited profit attributable to equity holders of the Company (exclusive of exchange gains) was approximately RMB151,468,000, representing an increase of approximately 25.1% as compared to the corresponding period in 2015.
- 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, all ranking first in the market; whilst the market share of rhEGF products for external use continued to increase and reached 16.2%, consolidating its second place in the market and trailing closely behind the leading product.
- The Group successfully obtained the CFDA product license for the new high concentration OVD product in May 2016, which is expected to be launched within 2016.
- The Board does not recommend the distribution of an interim dividend for the six-month period ended 30 June 2016.

INTERIM RESULT (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the six-month period ended 30 June 2016 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2015.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the six-month period ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
	Notes	***(unaudited)***	*(unaudited)*
REVENUE	4	**372,936**	313,111
Cost of sales		**(62,266)**	(46,812)
Gross profit		**310,670**	266,299
Other income and gains	4	**46,459**	34,973
Selling and distribution expenses		**(129,838)**	(97,530)
Administrative expenses		**(25,204)**	(21,217)
Research and development expenses		**(20,726)**	(15,773)
Other expenses		**(3,501)**	(1,420)
Share of profits and losses of:			
An associates		**190**	—
PROFIT BEFORE TAX		**178,050**	165,332
Income tax expense	5	**(26,607)**	(24,890)
PROFIT FOR THE PERIOD		**151,443**	140,442
Attributable to:			
Ordinary equity holders of the parent		**151,523**	140,890
Non-controlling interests		**(80)**	(448)
		151,443	140,442

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2016

	Notes	For the six-month period ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		(unaudited)	*(unaudited)*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic and diluted (RMB)	8	**0.95**	1.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	For the six-month period ended 30 June 2016 **RMB'000** **(unaudited)**	2015 RMB'000 (unaudited)
PROFIT FOR THE PERIOD		**151,443**	140,442
OTHER COMPREHENSIVE INCOME	6		
Net loss on available-for-sale investments		**(21,238)**	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**(21,238)**	—
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**130,205**	140,442
Attributable to:			
Ordinary equity holders of the parent		**130,285**	140,890
Non-controlling interests		**(80)**	(448)
		130,205	140,442

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30 June 2016** ***RMB'000*** ***(unaudited)***	31 December 2015 *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**416,135**	396,595
Prepaid land lease payments		**31,257**	31,626
Other intangible assets		**2,868**	3,262
Investments in an associate		**11,392**	11,202
Available-for-sale investments		**44,492**	—
Deferred tax assets		**4,030**	4,359
Other non-current assets		**258**	2,812
Total non-current assets		**510,432**	449,856
CURRENT ASSETS			
Inventories		**66,203**	78,063
Trade and bills receivables	10	**124,460**	91,287
Prepayments, deposits and other receivables		**68,306**	24,917
Cash and bank balances		**2,160,976**	2,177,787
Total current assets		**2,419,945**	2,372,054
CURRENT LIABILITIES			
Trade and bills payables	11	**4,071**	4,794
Other payables and accruals		**157,690**	112,272
Tax payable		**23,034**	23,927
Total current liabilities		**184,795**	140,993
NET CURRENT ASSETS		**2,235,150**	2,231,061
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,745,582**	2,680,917

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	**30 June 2016** ***RMB'000*** ***(unaudited)***	31 December 2015 *RMB'000* *(audited)*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**549**	620
Deferred income		**13,412**	14,863
Total non-current liabilities		**13,961**	15,483
Net assets		**2,731,621**	2,665,434
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		**160,045**	160,045
Reserves		**2,568,133**	2,501,866
		2,728,178	2,661,911
Non-controlling interests		**3,443**	3,523
Total equity		**2,731,621**	2,665,434

1. CORPORATE 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 converted into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Dongjing Road, Songjiang Industrial Zone, Shanghai, PRC.

During the six-month period ended 30 June 2016, the Group was principally engaged in the research and development, manufacture and sale of biologicals and medical hyaluronate, biological engineering products, pharmaceutical products, medical devices and equipment, and the provision of related services.

In the opinion of the Directors, the ultimate controlling shareholders of the Company are Mr. Jiang Wei and his spouse, Ms. You Jie.

As at 30 June 2016, the Company has direct interests in the following subsidiaries, all of which are limited liability companies established in the PRC except for Haohai Healthcare Holdings Co., Limited, which is a limited company established in Hong Kong. The particulars of the subsidiaries are set out below:

Company name	**Place and date of incorporation/ registration and place of operations**	**Paid-up capital/ registered ordinary 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	RMB 160,000,000	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.* ("**Shanghai Jianhua**")	PRC 20 October 1993	RMB 15,000,000	100	—	Manufacture and sale of medical sodium hyaluronate, biologicals, biochemical and HA series skin care products
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC 3 September 2001	RMB 150,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services

Company name	Place and date of incorporation/ registration and place of operations	Paid-up capital/ registered ordinary share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
上海柏越醫療設備有限公司 Shanghai Baiyue Medical Equipment Co., Ltd.* ("**Shanghai Baiyue**")	PRC 25 September 2014	RMB 10,000,000	60	—	Sale of medical devices and equipment
昊海生物科技控股有限公司 Haohai Healthcare Holdings Co., Limited ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD 100	100	—	Investment holding and trading business
上海昊海醫藥科技發展有限公司 Shanghai Haohai Medical Technology Development Co., Ltd.* ("**Haohai Development**")	PRC 19 February 2016	RMB 510,000,000	100	—	Pharmaceutical technology development and investment holding

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of presentation

These interim condensed consolidated financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

The 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 2015.

2.2 Changes in accounting policies and disclosures

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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016 as follows:

International Financial Reporting Standard ("**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 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to IFR 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*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of these new and revised standards had no significant financial effect on these financial statements.

2.3 Issued but not yet effective IFRSs

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

IFRS 9	*Financial Instruments* [2]
IFRS 15	*Revenue from contracts with customers* [2]
Amendments to IFRS 15	*Revenue from contracts with customers* [2]
IFRS 16	*Leases* [3]
Amendments to IAS 12	Recognition of Deferred tax assets for Unrealised losses[1]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IFRS 2	Share-based payment: Classification and Measurement [2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]

[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 specific effective date but early adoption is permitted

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, i.e. the research and development, manufacture and sale of biologicals, medical hyaluronate, biological engineering products, pharmaceutical products, medical devices and equipment, and the provision of related services. Therefore, no analysis by operating segment is presented.

Geographical information

Since the Group solely operates in the PRC and all of the assets of the Group are located in the PRC, 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 six-month period ended 30 June 2016 (for the corresponding period in 2015: nil).

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 six-month period ended 30 June 2016.

An analysis of the Group's revenue is as follows:

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Sale of goods	**372,936**	313,111
Other income and gains		
Interest income	**29,061**	6,067
Government grants (note (i))	**16,241**	5,131
Exchange gains	**55**	23,274
Others	**1,102**	501
	46,459	34,973

Note (i): Various government grants have been received from local government authorities in various regions in Shanghai, 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 statements of financial position. There were no unfulfilled conditions or contingencies relating to these government grants.

5. INCOME TAX

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current	**26,349**	24,449
Deferred	**258**	441
	26,607	24,890

The Company and its subsidiaries, except for Haohai Holdings, are registered in the PRC and only have operations in the PRC. They are subject to PRC corporate income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

The applicable corporate income tax rates are shown as follows:

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
The Company	**15%**	15%
Shanghai Qisheng	**15%**	15%
Shanghai Jianhua	**15%**	15%
Shanghai Likangrui	**25%**	25%
Shanghai Baiyue	**25%**	25%
Haohai Holdings	**16.5%**	N/A
Haohai Development	**25%**	N/A

In 2015, the Company and its subsidiaries, Shanghai Qisheng and Shanghai Jianhua, were accredited as high and new-tech enterprises respectively, effective for three years from 2014 to 2016, by the relevant authorities. Therefore, the preferential corporate income tax rate of 15% was applied during the period from 2014 to 2016.

6. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Available-for-sale investments:		
Losses arising during the period	**21,238**	—

7. DIVIDENDS

The proposed final dividend of RMB0.40 (tax included) per ordinary share for the year ended 31 December 2015 was declared payable by the shareholders at the annual general meeting of the Company on 3 June 2016.

The Board does not recommend the distribution of an interim dividend in respect of six-month period ended 30 June 2016 (for the corresponding period in 2015: nil).

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

The calculation of basic earnings per share amounts is based on the profit for the six-month period ended 30 June 2016 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 160,045,300 (for the corresponding period in 2015: 133,340,883) in issue during the six-month period ended 30 June 2016, as adjusted to reflect the rights issue during the periods.

	For the six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit attributable to equity holders of the Company	**151,523**	140,890
Weighted average number of shares in issue (in thousands)	**160,045**	133,341
Basic earnings per share (RMB per share) #	**0.95**	1.06

Diluted earnings per share is the same as basic earnings per share as the Group had no potential dilutive ordinary shares in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2016, the Group acquired assets with total costs of approximately RMB2,357,000 (unaudited) (for the corresponding period in 2015: approximately RMB229,000 (unaudited)), excluding property under construction.

The Group continued the upgrading of existing production facilities of the Company, and its carrying amount as at 30 June 2016 was approximately RMB22,611,000 (unaudited) (31 December 2015: approximately RMB15,064,000 (audited)). The Group also continued the construction of infrastructure at Shanghai Likangrui production facility, and its carrying amount as at 30 June 2016 was approximately RMB168,672,000 (unaudited) (31 December 2015: approximately RMB147,057,000 (audited)).

Assets with a net book value of approximately RMB173,000 (unaudited) were disposed of by the Group during the six-month period ended 30 June 2016 (for the corresponding period in 2015: RMB12,000 (unaudited)), resulting in a net loss on disposal of approximately RMB135,000 (unaudited) (for the corresponding period in 2015: net loss of approximately RMB12,000 (unaudited)).

In the meantime, the Group recognised depreciation expenses of approximately RMB15,877,000 (unaudited) during the six-month period ended 30 June 2016 (for the corresponding period in 2015: RMB15,767,000 (unaudited)).

10. TRADE AND BILLS RECEIVABLES

	30 June 2015	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**131,172**	96,007
Bills receivable	**88**	—
Impairment for trade receivables	**(6,800)**	(4,720)
	124,460	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 high reputations 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 and bills receivables as at the end of each period, based on the invoice date and net of provisions, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Outstanding balances with ages:		
Within 3 months	**129,798**	77,609
3 to 6 months	**1,258**	13,535
6 months to 1 year	**116**	4,590
1 to 2 years	**—**	265
2 to 3 years	**—**	8
	131,172	96,007

11. TRADE AND BILLS PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**4,071**	4,794

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Outstanding balances with ages:		
Within 3 months	**4,021**	4,745
3 months to 1 year	**9**	49
Over 1 year	**41**	—
	4,071	4,794

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

In 2016, the reforms of the pharmaceutical and medical system in the PRC has continued from the trend in 2015. Various reform policies on controlling total medical expenditures have been successively introduced through encouraging pharmaceutical tenders and retail price reduction in various provinces and cities. Therefore, pharmaceutical companies faced different challenges in their production and sales activities in Mainland China. During the Reporting Period, the Group actively responded to the reforms of the pharmaceutical and medical system called for in the PRC. In order to better adapt to the fast-changing tender policy and the highly competitive market environment, the Group actively adjusted the selling prices of some products. In addition to the price reduction or discounts, the Group focused on its core business of absorbable biomedical materials and enhancing budget and operation and management through refined marketing management to improve operating efficiency. The Group also focused to optimize its product portfolio and facilitate service upgrade, which has enabled the continuous growth in sale quantities of various series of products to secure steady growth of the Group's principal business.

During the Reporting Period, the Group recorded a turnover of approximately RMB372.94 million, representing an increase of RMB59.83 million or approximately 19.1% as compared to approximately RMB313.11 million for the corresponding period in 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):

	January to June 2016		January to June 2015		**Increase or decrease**
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*	*%*
Orthopedics products	**135,075**	**36.2%**	141,898	45.3%	**-4.8%**
Medical aesthetics and wound care products	**96,003**	**25.8%**	46,275	14.8%	**107.5%**
Ophthalmology products	**38,367**	**10.3%**	36,673	11.7%	**4.6%**
Anti-adhesion and hemostasis products	**100,402**	**26.9%**	88,265	28.2%	**13.8%**
Other products	**3,089**	**0.8%**	—	—	**100%**
	372,936	**100.0%**	313,111	100.0%	**19.1%**

During the Reporting Period, the profit attributable to the equity holders of the Group amounted to approximately RMB151.52 million. After excluding the amount of the exchange gains recognized (mainly the exchange gains in relation to proceeds from initial public offering), the profit attributable to the equity holders of the Group amounted to approximately RMB151.47 million, representing an increase of RMB30.36 million or 25.1% as compared to RMB121.11 million for the corresponding period in 2015. The basic earnings per share were RMB0.95 (the corresponding period in 2015: RMB1.06).

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 the medical cross-linked sodium hyaluronate gel "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 85.1% for the corresponding period in 2015 to 83.3% 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 policy and the highly competitive market environment, which resulted in a slight decrease in gross profit margin.

Orthopedics Products

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

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

	January to June 2016		January to June 2015	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Sodium hyaluronate injection	**98,008**	**26.3%**	114,932	36.7%
Chitogel	**37,067**	**9.9%**	26,966	8.6%
	135,075	**36.2%**	141,898	45.3%

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 whereas 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 RMB98.01 million, representing a decrease of RMB16.92 million or approximately 14.7% from RMB114.93 million for the corresponding period in 2015.

In February 2015, 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 by 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 rationale of the central government. Under the further downward pressure on drug procurement price and the full implementation of control measures on medical and insurance, the profit of pharmaceutical industry was compressed. As at the date of this announcement, pharmaceutical tenders were still in progress among most of the provinces, which, from an objective perspective, hampered drug distributors' willingness to purchase. During the Reporting Period, in response to the changes in national policies, the

Group proactively adjusted the selling prices in certain regions with an aim to ensure that the sodium hyaluronate injection product expands its market coverage throughout China and the price system remains relatively stable in general. Although the sales revenue from this product decreased in the first half of 2016, as a significantly efficacious product extensively used in the world, comparatively, 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 the patient groups in China, the sodium hyaluronate injection product has a future sales growth potential which cannot be overlooked. During the Reporting Period, the sodium hyaluronate injection product remained the largest contributor to the Group's revenue.

Chitogel

The Group's revenue from the sales of Chitogel was approximately RMB37.07 million for the Reporting Period, representing an increase of RMB10.10 million or 37.5% from approximately RMB26.97 million for the corresponding period in 2015.

Chitogel, which is used for intra-articular viscosupplement, is the Group's exclusive product and is the only Class III medical device which has obtained the registration certificate in the PRC. It can be used for treating degenerative osteoarthritis; help minimizing joint pains; improve 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 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.

In the second quarter of 2014, the Group officially launched Chitogel. The management 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 increasingly recognized by more and more doctors and patients. During the Reporting Period, Chitogel strengthened its foothold in Beijing and Shanghai and was successfully promoted and marketed to other provinces including Guangdong, Liaoning, Shandong, Jiangsu, Hubei and Heilongjiang.

Medical aesthetics and wound care products

The Group currently manufactures and sells two products used for medical aesthetics and wound care, including Matrifill and the recombinant human epidermal growth factor ("**rhEGF**" or "**Healin**") product with wound care effect. Matrifll can correct

moderate to severe facial wrinkles and folds. rhEGH product can safely and substantially expedite the repair of skin wounds on epidermis and mucosa. It is applicable for 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 the sales of medical aesthetics and wound care products by specific products is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2016		January to June 2015	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Matrifill	**80,010**	**21.5%**	32,174	10.3%
Healin	**15,993**	**4.3%**	14,101	4.5%
	96,003	**25.8%**	46,275	14.8%

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was RMB96.00 million, representing an increase of RMB49.72 million or 107.4% as compared to RMB46.28 million for the corresponding period in 2015.

Matrifill

Matrifill, an innovative product launched in the market by the Group in 2014, is the first monoface cross-linked sodium hyaluronate gel for injection approved by the China Food and Drug Administration (the "**CFDA**"). It can, through injection into dermis layer, fill facial defect and folded portion to achieve wrinkle removal and facial shaping. This is a product successfully developed by the Group after years of research and development, and which is confirmed to have a good shaping effect and excellent performance in duration by a large-sample randomized (more than 550 cases) controlled clinical trial.

The medical beauty market in the PRC 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 do these new products and technology fulfil consumer demand, but they also attract more consumers along with the increasing sufficient supply, improving clinical efficacy and transition of consumption concept of the new generation. Meanwhile, attracted by the the

relatively high profit margin from medical beauty products, increasingly more competitors attempted to enter the market and share the growth of the industry. In 2016, more cross-linked sodium hyaluronate gel products were launched to the market. As of 30 June 2016, 13 products of the Group were approved by the CFDA (as of 31 December 2015: 10 products were approved). However, due to many inconsistent practices in the medical beauty 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 Matrifill products with a professional approach.

In addition, the Group established an independent professional sales and marketing team for the Matrifill products. 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. Management of the Group believes that the traditional and single 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 life span.

During the first half of 2016, Matrifill stood out from the fierce competition with further enhanced market coverage and brand recognition. During the Reporting Period, the sales revenue of Matrifill products increased to approximately RMB80.01 million, representing an increase of 148.7% from approximately RMB32.17 million for the corresponding period in 2015, which approximated the revenue of RMB87.26 million for the year of 2015.

As of the date of this announcement, the clinical trial of the Group's self-developed second generation of cross-linked sodium hyaluronate gel was completed and the registration for medical device with CFDA is underway. In terms of product characteristics and efficacy, this product will have differentiated positioning from the Matrifill product, which has been launched to market. Moreover, the clinical trial of the third generation of cross-linked sodium hyaluronate gel ("**QST gel**") has been

started as well. The Group can accordingly sustain its leading market position in terms of 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, so as to satisfy market needs which are being increasingly segmental and diversified.

The Group will leverage on the increasingly intensive merger and acquisition and integration in the industry, 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.

Healin

The Group also manufacture innovative biological drugs which utilize genetic engineering technology and are used for wound care. The Group's Healin-branded rhEGF products is the only product in China that has the same amino acid structure as the epidermal growth factors in human bodies, and 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 Healin products, 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 Healin products continued to increase from 15.3% in 2014 to 16.2% in 2015, narrowing down the difference with the market leading product.

Ophthalmology Products

The Group currently manufactures and sells four ophthalmology products, including three ophthalmic viscoelastic devices, commonly known as "OVD" products, and one lubricant eye drops product. OVD products are the necessary devices for cataract surgery and can be used for other ophthalmic operations.

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

	January to June 2016		January to June 2015	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		*(unaudited)*	
Ophthalmic viscoelastic device	**37,192**	**10.0%**	35,463	11.3%
Lubricant eye drops	**1,175**	**0.3%**	1,210	0.4%
	38,367	**10.3%**	36,673	11.7%

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was RMB38.37 million, representing an increase of approximately 4.6% or RMB1.70 million from RMB36.67 million for the corresponding period in 2015.

Among the main brands of OVD products in the PRC, the Group's products have significant 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, with a market share of over 40% for the past nine consecutive years, making the Group the largest OVD product manufacturer in the PRC.

During the Reporting Period, the Group successfully obtained the CFDA product license for the new high concentration OVD product, which is expected to be launched within 2016. The launch of the new high concentration OVD product of the Group will enhance the ophthalmology products of the Group; further extend the comparative advantage against the imported overseas brands of the same type of products and increase the market share of 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 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 2016		January to June 2015	
	RMB'000 (unaudited)	*%*	*RMB'000 (unaudited)*	*%*
Medical chitosan	**57,543**	**15.4%**	56,434	18.0%
Medical sodium hyaluronate gel	**34,041**	**9.1%**	26,800	8.6%
Medical collagen sponge	**8,818**	**2.4%**	5,031	1.6%
	100,402	**26.9%**	88,265	28.2%

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was RMB100.40 million, representing an increase of RMB12.13 million or approximately 13.7% as compared to RMB88.27 million for the corresponding period in 2015.

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 nine 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黏連的中國專家共識(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)" (預防剖宮產黏連的中國專家共識 (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 believes that with the promotion of the above Consensus, such products will be increasingly emphasized by both doctors and patients. It will help implement the provincial and national cost catalog and medical insurance, and further facilitate the abdominal and oncology on usage of post-operative anti-adhesion products, hence radically increasing clinical usage and further promoting the growth of the sales of anti-adhesion and hemostasis products of the Group.

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 of 30 June 2016, the Group's in-house R&D team comprised 129 staff members, of which 107 were degree holders or above, 9 were doctorate degree holders and 37 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 the PRC.

As at 30 June 2016, the Group owns 20 product licenses and 17 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 1 product; clincial trials for 1 product have been completed and are now at the stage of product registration; 5 products are undergoing different stages of clinical trials or type inspection; and 10 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 dermal filler product series (the second generation of cross-linked sodium hyaluronate gel and third generation of QST gel), fibrin sealant products, second generation of thermal-sensitive chitosan 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, which is elected and supported by the Major Project of National Science and Technology, to further expand the Group's product offerings to sustained-release preparations, new compound anti-adhesion and hemostasis membrane products.

The management 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 the PRC.

As at 30 June 2016, the Group's distribution network comprised over 1,300 distributors. With such distribution network, products of the Group were sold across provinces, municipals and autonomous regions in the PRC. 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 RMB276.11 million from the sales of its products through distributors, which accounted for 74.0% of the Group's revenue and approximately RMB96.83 million from direct sales, which accounted for 26.0% of the Group's revenue.

The management 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, increasing the market share and increasing the sales of the products.

OPERATING PROSPECT IN THE SECOND HALF OF 2016

Recently, the continual growth of the pharmaceutical and healthcare industry in the PRC is driven by a combination of favorable socioeconomic factors. However, following the announcement and implementation of various policies in 2015, the reform of pharmaceutical and healthcare industry system in the PRC has been started. Industry integration, change of operation and keener competition are inevitable. The management believes that the year of 2016 is marked by challenges for pharmaceutical and healthcare industry in the PRC. Meanwhile, the management believes that along with the reform for weeding out obsolete capacities, corporates in possession of economy of scales, advanced technologies, well established brand and excellent marketing will stand out in the opportunities given.

In the second half of 2016, other than the use of the proceeds raised effectively and identifying strategic merger and acquisition targets actively for expansionary business growth, the Group will continue to focus on the organic growth of products for the existing four major therapeutic segments by the following means:

- upgrading the intelligence and digitalizing level 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 related 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 (Chitogel)***
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
Range of retail prices	RMB 100~200	RMB 300~700
Coverage of medical insurance	Class B product under the National Reimbursement Drug List	Mechanic medical insurance (for certain regions)

The management has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer history, possessed the advantages of high clinical recognition and relatively broad application. In the second half of 2016, the Group will follow the national policy, proactively respond to the reform of bidding and tender. The Group will also adjust the selling price of sodium hyaluronate injection in a certain extent to benefit more patients and stabilize the broad coverage of the Group's sodium hyaluronate injection product in the market of intra-articular viscosupplement products. Meanwhile, 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 the PRC. 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.

According to the above characteristics, the management has designated differentiated clinical applications, target market and price positioning for the Chitogel-branded medical chitosan products and actively enhanced their marketing promotion and sales to secure the overall profitability of orthopedics products based on the continuous growth of sales of products with high profit margin. The management 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 the PRC.

Medical aesthetics and wound care products

In the second half of 2016, 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 medical sodium hyaluronate products, the Group continues to provide safe, effective and high-quality products for medical institutions and consumers. By introducing the new generation of cross-linked sodium hyaluronate gel, the increasingly segmental 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. The marketing team of the Group strived to enhance the consumer experience through multi-dimensional services for medical institutions, medical practitioners and consumers; building brand concepts and dominating the life-style of consumer groups so as to improve the product adhesiveness and life span.

Ophthalmology Products

The Group focuses on the investment and industrial integration of the high-valued materials and diagnosing equipment used in ophthalmology surgery in the PRC. In the second half of 2016, 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. The Group intends to gradually enter the high value-added industry of intraocular lens product, the core consumables for cataract surgery, by acquisition and integration of desired domestic and overseas corporates with matured products, high-end technology and market resources. This will lead to the domestic industrialization of oversea matured intraocular lens production technology, re-development and enhancement of the productivity, quality and market competitiveness of domestic corporates, and finally, replacement of imported products. Meanwhile, intraocular lens products will be

integrated with the Group's existing ophthalmic viscoelastic device (exclusively for cataract surgery) and Eyesucom (product of lubricant eye drops) to form an enriched ophthalmology product mix, expanding the competitive edges 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 PRC market and the market concentration is relatively high. The top three manufacturers, in aggregate, represent nearly 80% of the market share. Recently, more challenges are posed during renewal of and new registrations as the government continued to raise demands for the quality of products. Products with outdated technology or unstable quality are gradually eliminated. The market barrier of the industry is further lifted for new competitors. Meanwhile, the Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. Currently, the Group manages to provide the series of products with the most comprehensive and integrated specifications. The detailed designs render the products more user-friendly and more suitable for clinical needs so as to cultivate brand preference of medical practitioners. In the second half of 2016, 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 RMB372.94 million, representing an increase of 19.1% as compared to the corresponding period in 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 RMB62.27 million, representing an increase of 33.0% as compared to the corresponding period in 2015.

The overall gross profit margin of the Group slightly decreased from 85.1% for the corresponding period in 2015 to 83.3% in the Reporting Period, 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 RMB97.53 million for the corresponding period in 2015 to approximately RMB 129.84 million for the Reporting Period, representing an increase of RMB32.31 million. The proportion of selling and distribution expenses to the Group's total revenue increased from 31.1% for the corresponding period in 2015 to 34.8% for the Reporting Period, which was primarily due to the increase in the marketing expenses of orthopedics products and Matrifill products.

Administrative Expenses

The administrative expenses of the Group increased from approximately RMB21.22 million for the corresponding period in 2015 to approximately RMB25.20 million for the Reporting Period, representing an increase of RMB3.98 million, primarily due to the increase of number of administrative staff since business expansion and the increase in service fees of professional institutions. The proportion of administrative expenses to the Group's total revenue for the Reporting Period was 6.8%, remaining the same as the corresponding period in 2015.

R&D Expenses

The R&D expenses of the Group increased from approximately RMB15.77 million for the corresponding period in 2015 to approximately RMB20.73 million for the Reporting Period, representing an increase of RMB4.96 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% (the corresponding period in 2015: 5.0%) 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 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 RMB24.89 million for the corresponding period in 2015 to approximately RMB26.61 million for the Reporting Period, representing an increase of RMB1.72 million.

The effective rate of income tax for the Group was approximately 14.9% (the corresponding period in 2015: 15.1%) and remained stable.

Interim Results

During the Reporting Period, the profit attributable to the equity holders of the Group amounted to approximately RMB151.52 million; excluding the amount of foreign exchange gains (mainly the exchange gains in relation to proceeds from initial public offering), the profit attributable to the equity holders of the Group amounted to approximately RMB151.47 million, representing an increase of RMB30.36 million or approximately 25.1% as compared to approximately RMB121.11 million for the corresponding period in 2015. The basic earnings per share were RMB0.95 (the corresponding period in 2015: RMB1.06). A steady growth has been realized during the Reporting Period, primarily attributable to the growth of revenue and the enhanced profitability of the Group.

Liquidity and Capital Resources

As at 30 June 2016, the total current assets of the Group was approximately RMB2,419.95 million, representing an increase of RMB47.89 million as compared to the balance as at 31 December 2015, and the total current liabilities was approximately RMB184.80 million, representing an increase of RMB43.80 million as compared to the balance as at 31 December 2015. As at 30 June 2016, the Group's current assets to liabilities ratio was approximately 13.10 as compared to 16.82 as at 31 December 2015, the decrease in current assets to liabilities ratio was primarily attributable to the fact that during the Reporting Period, the Company provided dividend payables of approximately RMB64.02 million pursuant to the distribution of 2015 cash dividend of RMB0.40 per share approved at the 2015 annual general meeting held on 3 June 2016. The above dividend was not paid as at 30 June 2016.

During the Reporting Period, the net cash inflow from operating activities of the Group was approximately RMB97.29 million, representing a decrease of RMB33.63 million as compared to approximately RMB130.92 million for the corresponding period in 2015. The net cash outflow from the investment activities of the Group was approximately RMB454.16 million for the Reporting Period, representing a decrease of RMB1,066.50 million as compared to RMB1,520.66 million for the corresponding period in 2015, which was primarily due to the fact that the Group tentatively applied the proceeds as short-term investments during the corresponding period in 2015.

Capital Structure

There has been no change in the capital structure of the Company since 31 December 2015. The capital structure of the Company comprises cash and bank balances as well as equity attributable to ordinary equity holders of the parent (including share capital and reserves).

Capital Expenditures

Our capital expenditures comprised expenditures on property, plant and equipment, other intangible assets and prepaid land lease payments. During the six months ended 30 June 2016, the Company's total capital expenditures were approximately RMB35.59 million.

Employees and remuneration policy

As of 30 June 2016, the Group had 593 employees. The total number of employees by function is as follows:

Production	227
R&D	129
Sales and Marketing	156
Supply	11
Administration	70
	593

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Group 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 RMB42.26 million (the corresponding period in 2015: RMB34.25 million). The management 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 HKD and RMB. 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 2016, the Group did not have any asset pledge.

Gearing Ratio

As at 30 June 2016, the total liabilities of the Group amounted to approximately RMB198.76 million and the debt to assets ratio ((Total Liabilities / Total Assets) x 100%) was 6.8% as compared to 5.6% as at 31 December 2015. The slight increase as compared to 31 December 2015 was primarily attributed to the increase in current liabilities resulted from the unpaid dividend payables of approximately RMB64.02 million as at 30 June 2016.

Bank borrowing

During the Reporting Period and as at 30 June 2016, the Group did not have any bank borrowing.

Material Acquisitions and Disposals of Subsidiaries and Associates

During the Reporting Period, the Group did not have any material acquisitions and disposals related to subsidiaries and affiliated companies.

Foreign Exchange Fluctuation 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. During the Reporting Period and as at 30 June 2016, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

Material Event After the Reporting Period

There were no significant events after the Reporting Period up to the date of this announcement which would have material effect to the Group.

Purchase, Sales or Redemption of Listed Securities

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

Interim Dividend

The Board does not recommend interim dividend for the six-month period ended 30 June 2016 (for the six-month period ended 30 June 2015:nil).

Corporate Governance Code

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

Compliance with the Model Code

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

Audit Committee

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

Change of Name of Executive Director and Joint Company Secretary

The board of directors of the Company has been informed that Mr. Huang Ping (黄平), an executive director and joint company secretary of the Company, has changed his name from "Huang Ping (黄平)" to "Huang Ming (黄明)" , with effect from 24 August 2016.

Publication of the Interim Results and Interim Report

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

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

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

Shanghai, the PRC, 26 August 2016

As at the date of this announcement , the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Huang Ming and Ms. Chen Yiyi; 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*