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

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

Stock Code : **6826**

2017 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

THIRD SESSION OF THE BOARD OF DIRECTORS

Executive Directors:

Dr. Hou Yongtai *(Chairman)*
Mr. Wu Jianying *(General Manager)*
Mr. Huang Ming *(Secretary of the Board)*
Ms. Chen Yiyi
Mr. Tang Minjie *(Chief Financial Officer)* *(appointed on 14 February 2017)*

Non-executive Directors:

Ms. You Jie
Mr. Gan Renbao

Independent Non-executive Directors:

Mr. Chen Huabin
Mr. Shen Hongbo
Mr. Li Yuanxu
Mr. Zhu Qin
Mr. Wong Kwan Kit

THIRD SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

Mr. Liu Yuanzhong
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Mr. Yang Linfeng

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Mr. Huang Ming
Mr. Chiu Ming King *(a fellow member of the Hong Kong Institute of Chartered Secretaries)*

AUDIT COMMITTEE

Mr. Shen Hongbo *(Chairman)*
Ms. You Jie
Mr. Chen Huabin
Mr. Li Yuanxu
Mr. Zhu Qin

REMUNERATION COMMITTEE

Mr. Zhu Qin *(Chairman)*
Mr. Wu Jianying
Mr. Huang Ming
Mr. Shen Hongbo
Mr. Li Yuanxu

NOMINATION COMMITTEE

Mr. Li Yuanxu *(Chairman)*
Dr. Hou Yongtai
Ms. You Jie
Mr. Chen Huabin
Mr. Zhu Qin

STRATEGY COMMITTEE

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

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Wanchai, Hong Kong

INFORMATION OF H SHARES

Place of listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	6826
Number of H shares issued:	40,045,300 H shares
Nominal value:	RMB1.00 per H share
Stock short name:	HAOHAI BIOTEC

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Shanghai, China

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INTERIM RESULTS HIGHLIGHTS

HIGHLIGHTS OF RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

- For the six-month period ended 30 June 2017, the unaudited revenue of the Group was approximately RMB605.12 million, representing an increase of approximately 62.3% as compared to the corresponding period in 2016.

- For the six-month period ended 30 June 2017, the net profit of the Group was approximately RMB186.64 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 23.2% as compared to the corresponding period in 2016. The amortisation charge on intangible asset from business acquisition of the Group (after tax) was approximately RMB8.27 million (the corresponding period in 2016: nil), after excluding the impact of such charge, the net profit of the Group was approximately RMB194.91 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 28.7% as compared to the corresponding period in 2016.

- For the six-month period ended 30 June 2017, the profit attributable to ordinary equity holders of the Company was approximately RMB175.78 million, representing an increase of approximately 16.0% as compared to the corresponding period in 2016.

- 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 35.4%, 50.2% and 41.9% respectively in 2016, all ranking first in the market; whilst the market share of recombinant human epidermal growth factor products, i.e. "Healin", continued to increase and reached 16.4%, ranking the second place in the market.

- On 23 February 2017, the 2017 revision of the National Reimbursement Drug List ("**NRDL**") lifted the restrictions on "Healin" as a class B medical insurance product.

- The Group's self-developed second generation of hyaluronic acids ("**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.

- The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

BUSINESS REVIEW AND PROSPECT

2017 marks a significant year for the implementation of the spirit of the National Health and Well-being Convention and the "13th Five-Year Plan" for deepening the reforms of the pharmaceuticals and healthcare system. In the first half of 2017, the consecutive introduction of major policies for the pharmaceutical and medical device industry of China since 2015 continues to affect the whole industry, which have created severe challenges for the enterprises within the industry, while on the other hand, important develop opportunities have also emerged.

During the Reporting Period, the Group has been highly responsive to the reforms. In order to accommodate with the fast-changing tender policy and the highly competitive market environment, the Group adjusted the selling prices of some of its products. Meanwhile, the Group has improved operational efficiency through refined marketing management, enhanced budgeting and operations control. The Group also focused on optimizing its product portfolio and advancing service upgrade, which has enabled the continuous growth in the sales volume of various series of existing product lines for medical absorbable biomedical materials, so as to secure the steady growth of the Group's entire principal business.

Meanwhile, the Group has been taking steady steps to penetrate the ophthalmological high-valued materials industry since 2016 from 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. By the end of 2016, the Group completed a number of acquisitions, including acquisition of 60% equity interest in Shenzhen NIMO, 100% equity interest in Henan Universe, 98% equity interest in Zhuhai Eyegood and the hydrophilic and PMMA IOL business of Aaren Scientific Inc. ("**Aaren Business**"). On 2 June 2017, the Group completed the acquisition of 70% share capital in Contamac Holdings, a UK IOL, ophthalmic materials and technology supplier, which will help the Group to secure long term and stable upstream material supply and enhance the research and development of new IOL and other ophthalmic products. So far, the Group's whole industry chain layout centered on IOL products has been primarily established, which has laid an industry foundation for the long term growth of the ophthalmological high-valued materials business in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded a total turnover of approximately RMB605.12 million (the corresponding period in 2016: approximately RMB372.94 million), representing an increase of RMB232.18 million or approximately 62.3% as compared to the corresponding period in 2016. The breakdown of the Group's revenue by therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Orthopedics products	**136,405**	**22.5**	135,075	36.2	1.0
Medical aesthetics and wound care products	**127,831**	**21.1**	96,003	25.8	33.2
Anti-adhesion and hemostasis products	**113,482**	**18.8**	100,402	26.9	13.0
Ophthalmology products	**224,812**	**37.2**	38,367	10.3	486.0
Other products	**2,593**	**0.4**	3,089	0.8	-16.4
Total	**605,123**	**100.0**	372,936	100.0	62.3

During the Reporting Period, the net profit of the Group was approximately RMB186.64 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 23.2% as compared to the corresponding period in 2016. The amortisation charge on intangible asset from business acquisition of the Group (after tax) was approximately RMB8.27 million (the corresponding period in 2016: nil), after excluding the impact of such charge, the net profit of the Group was approximately RMB194.91 million (the corresponding period in 2016: RMB151.44 million), representing an increase of approximately 28.7% as compared to the corresponding period in 2016.

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB175.78 million, representing an increase of approximately 16.0% as compared to the corresponding period in 2016.

During the Reporting Period, the increase in the net profit of the Group and the profit attributable to ordinary equity holders of the Company was mainly attributable to the stable development of the Group's principal business and the initial synergistic effects of acquired business.

During the Reporting Period, the basic earnings per share were RMB1.10 (the corresponding period in 2016: RMB0.95).

During the Reporting Period, the overall gross profit margin of the Group decreased from 83.3% for the corresponding period in 2016 to 79.0%, primarily attributable to the lower overall gross profit margin of the ophthalmology enterprises successively acquired by the Group since the end of 2016 as compared to that of the Group's existing business, as well as the fact that the Group proactively adjusted the selling prices of existing products in order to better adapt to the fast-changing tender policy and the highly competitive market environment, which also resulted to a slight decrease in gross profit margin. In general, the gross profit margin of the Group maintains at a relatively high level.

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 made of medical chitosan. Intra-articular viscosupplementation has been proven to be a safe and effective treatment for degenerative osteoarthritis.

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

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	**%**	RMB'000 (unaudited)	%	%
Sodium hyaluronate injection	**92,664**	**15.3**	98,008	26.3	-5.5
Medical chitosan "Chitogel"	**43,741**	**7.2**	37,067	9.9	18.0
	136,405	**22.5**	135,075	36.2	1.0

According to the research reports of CFDA 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 2016 for the third consecutive year where our market share increased to 35.4% in 2016 from 34.0% in 2015.

Sodium hyaluronate injection

During the Reporting Period, the Group's revenue from the sales of sodium hyaluronate injection product was approximately RMB92.66 million, representing a decrease of approximately RMB5.34 million or 5.5% from RMB98.01 million for the corresponding period in 2016.

Since 2015, the national policies in respect of adjusting drug purchasing models and drug prices have been issued successively, whereby the provincial and local governments introduced local policies one after another according to the instruction of the central government. Under further 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. During the Reporting Period, in response to the amendments in national policies, the Group adjusted the bidding price and the selling prices of products in certain regions, due to which, the sales revenue from the sodium hyaluronate injection products decreased during the Reporting Period. As a significantly efficacious product extensively used in the world, the sodium hyaluronate injection product still has an extremely low penetration rate in the PRC market. We believe that, with the increasing popularity and acceptance among patient groups in PRC, the sodium hyaluronate injection product has a future sales growth potential that cannot be overlooked.

Medical chitosan "Chitogel"

The Group's revenue from the sales of medical chitosan "Chitogel" products was approximately RMB43.74 million for the Reporting Period, representing an increase of approximately RMB6.67 million or 18.0% from RMB37.07 million for the corresponding period in 2016.

Medical chitosan "Chitogel" product is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC. It can be used to treat degenerative 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" 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.

The Group has been focusing on the professional promotion and market cultivation of medical chitosan "Chitogel" product, striving to add such product into the local health insurance and cost catalogue gradually. During the Reporting Period, the cost catalogues of more than 20 provinces and cities have included the Group's medical chitosan "Chitogel". The stable quality and significant efficacy of the products are now recognized by an increasing number of doctors and patients.

Medical aesthetics and wound care products

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

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

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	**%**	RMB'000 (unaudited)	%	%
HA Products	**107,111**	**17.7**	80,010	21.5	33.9
rhEGF "Healin"	**20,721**	**3.4**	15,993	4.3	29.6
	127,832	**21.1**	96,003	25.8	33.2

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was RMB127.83 million, representing an increase of approximately RMB31.83 million or 33.2% from RMB96.00 million for the corresponding period in 2016.

HA Products

HA dermal filler "Matrifill", a product launched in the market by the Group in 2014, is the first mono-phase sodium hyaluronate gel 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 developed by the Group after years of research and development, and has been proven by large-scale randomized clinical trial (with approximately 550 cases) with 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 four years and has been the first dermal filler clinical trial in the largest scale in terms of sampling size in China so far. Through clinical, randomized and double-blinded research comparison, experts found that the required dosage of HA dermal filler "Matrifill" was lower than an internationally renowned 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 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", which adopted low temperature double cross linking technology, is mainly promoted for its dynamic filling function. Based on its characteristics and efficacy, it will have differentiated positioning from and supplementary development with the HA dermal filler "Matrifill" that focuses on shaping, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. As of the date of this report, the Group has completed the initial targeted delivery of HA dermal filler "Janlane" and launched to 54 cooperative medical and aesthetic plastic institutions within 30 cities in the PRC rapidly.

Moreover, the third generation of HA dermal filler products ("**QST gel**") of the Group has been in the process of the clinical trial phase. The Group can accordingly sustain its leading market position in research and development as well as manufacturing and sale of products in the medical aesthetic and wound care sector. Such products will form combined effects of serialization and differentiation and meet the increasingly segmental and diversified market needs.

The medical aesthetics market in China is experiencing a rapid growth. Along with the growth of social wealth, a new consumption pattern evolves. Under the strong demand and the profit-driven market, the speed of upgrade of medical beauty products and related technology is accelerating. These new products and technology can satisfy consumer demand as well as attract more consumers through increasingly 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 aesthetics products, more competitors attempted to enter into the market and share the growth of the industry. In 2017, more dermal filler products were launched to the market. As of 30 June 2017, 18 products were approved by the CFDA. However, due to many inconsistent practices in the medical aesthetics industry, the government regulation is getting more stringent. As such, the industry will undergo a market selection process under the principle of "survival of the fittest". This poses a higher demand on enterprises in terms of strength in research and development, technology innovation, product quality control and marketing reforms.

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 HA dermal filler "Matrifill" and "Janlane" products with a professional approach.

In addition, the Group established an independent professional marketing team for HA dermal filler "Matrifill" and "Janlane". With the integrated mode of direct sales to hospitals and marketing through distributors, the Group achieved penetration into core regions and model hospitals as well as rapid expansion of sales channels and extensive coverage in target markets. The management of the Company believes that the traditional and one-sided marketing approach will no longer satisfy the increasingly personalized demands of medical 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 Products of the Group increased to approximately RMB107.11 million from approximately RMB80.01 million for the corresponding period in 2016, representing an increase of 33.9%.

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 sector of non-invasive medical aesthetic in the PRC.

rhEGF "Healin"

We also utilize genetic engineering technology to manufacture innovative biological products that used for wound care. The Group's rhEGF "Healin" is the only product in China that has the same amino acid structure as the epidermal growth factors in human bodies and the first registered rhEGF product in the world. It was approved as Class I new drug by the 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 recent years showed a constantly increasing trend with outstanding market performance.

According to the research reports of CFDA 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 2016 whereas the market share of rhEGF "Healin" products continued to increase from 16.2% in 2015 to 16.4% in 2016, further narrowing the gap with the market leading product.

On 23 February 2017, the Ministry of Human Resources and Social Security of the PRC officially issued the 2017 NRDL, rhEGF "Healin" was reclassified to Class B medical insurance products by lifting the limitation on the work-related injury insurance products on the 2009 NRDL. Advanced jointly by the favourable policies and the Group's efforts on marketing, the Group's revenue from the sales of "Healin" products increased to approximately RMB20.72 million during the Reporting Period from approximately RMB15.99 million for the corresponding period in 2016, representing an increase of 29.6%.

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 breakdown of revenue from 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 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Medical chitosan	69,364	11.5	57,543	15.4	20.5
Medical sodium hyaluronate gel	34,628	5.7	34,041	9.1	1.7
Medical collagen sponge	9,490	1.6	8,818	2.4	7.6
	113,482	18.8	100,402	26.9	13.0

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB113.48 million, representing an increase of approximately RMB13.08 million or 13.0% as compared to RMB100.40 million for the corresponding period in 2016.

Anti-Adhesion Products

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the anti-adhesion products of our Group maintained at 50.2% in 2016, making our Group the largest anti-adhesion product manufacturer in the PRC for the past tenth consecutive years.

From 2015 to date, certain expert consensus associated with the anti-adhesion products marks the clinical medical concern on anti-adhesion issue. The management of the Company believes that with the promotion of the expert consensus, anti-adhesion products will be increasingly valued by both doctors and patients. It will facilitate the implementation of the provincial and national cost catalogue and medical insurance, hence increasing clinical usage radically and further promoting the continuous growth of the sales of anti-adhesion and hemostasis products of the Group.

Medical Collagen Sponge "奇特邦"

Medical collagen has good hemostatic and tissue filling effect, and thus become a unique biomedical material used in surgical operations for gynaecology and obstetrics, otolaryngology, brain surgery and general surgery. The medical collagen sponge "奇特邦" product of our Group is a refined type I collagen extracted from bovine tendon through the advanced freeze-drying technology. It can accelerate hemostasis and promote wound healing. In the meantime, 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 RMB9.49 million from the sales of medical collagen sponge "奇特邦", representing an increase of approximately RMB0.67 million or 7.6% as compared to RMB8.82 million for the corresponding period in 2016.

Ophthalmology Products

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

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

	January to June 2017		January to June 2016		Increase or decrease
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%	%
Intraocular lens and ophthalmic materials	178,065	29.4	—	—	100
OVD products	41,453	6.9	37,192	10.0	11.5
Others	5,294	0.9	1,175	0.3	350.5
	224,812	37.2	38,367	10.3	486.0

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB224.81 million, representing an increase of approximately RMB186.45 million or 486.0% from RMB38.37 million for the corresponding period in 2016.

The Group entered into the ophthalmology high-valued materials industry by completing five acquisitions from 2016 to date. The principal business of each ophthalmic subsidiaries covering research & development and sales of intraocular lens products line and materials, ophthalmic materials, OVD and other ophthalmology high-valued materials and related services. Of which, 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 can not only extend the Group's ophthalmology products line but also expand the Group's recognition in cataract surgery market. During the Reporting Period, the Group' s revenue from the sales of intraocular lens and ophthalmic materials mainly include revenue recorded by its subsidiaries Shenzhen NIMO, Henan Universe, Zhuhai Eyegood and Aaren Laboratories, as well as sales revenue generated by Contamac Holdings for the period since acquired by the Group.

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 CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the Group's OVD products was 41.9% in 2016 and accounted over 40% market share for the past tenth consecutive years, making the Group the largest OVD product manufacturer in the PRC.

Cataract is the number one of blindness-causing diseases in the world. Currently, the only effective treatment for cataract is intraocular lens implantation through cataract surgery. In 2015, the cataract surgery rate ("**CSR**") per million of Europe, the United States, Japan and other developed countries has reached 9,000. In contrast, the CSR of China is only 1,500 in 2015 and only 2,070 in 2016. Although this number represents a significant increase over the previous year, it is still far below the data of developed countries. According to a calculation based on the 2016 CSR data, the national cataract surgery CSR is only about 2.69 million. On the other hand, according to the statistics of the Chinese Ophthalmological Society, the incidence of illness cataract for those in the 60-89 age group is 80% and those in the age group over 90 is 90%. There is still a greater room to improve the cataract surgery operation rate since the market popularity of relevant ophthalmic products is relatively low to date. The management of the Company believes that the Group is expected to gain significant market share advantage in the fast-growing PRC market of high-valued ophthalmology materials through the aforementioned acquisition of the entire industry chain and the effective integration with the original business.

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 30 June 2017, the Group's in-house R&D team comprised 207 staff members, of which 160 were degree holders or above, 19 were doctorate degree holders and 59 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 30 June 2017, the Group owns 55 product licenses and 33 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 3 products; clinical trials for 4 products have been completed and are now at the stage of product registration; 9 products are undergoing different stages of clinical trials or type inspection; and 17 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 "12th Five-Year Plan", as well as the electrospinning technology platform (elected as 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.

During the Reporting Period, the China National Center for Biotechnology Development under the Ministry of Science and Technology published the proposed project list in 2017 of five special projects for the National Key Research and Development Programs under the "13th Five-Year Plan", such as "Research & Development of Biological Medicine Materials and Repair and Replacement of Tissues and Organs" (生物醫用材料研發與組織器官修復替代) (the "**Project**"), of which, the project on "Research & Development of New Intraocular Lens and High-end Ophthalmic Implant Materials" led by the Group was successfully included into the said program. The financial support expected to be received is approximately RMB11.72 million. As of the date of this report, the Project has been duly formulated. The National Key Research and Development Programs under the "13th Five-Year Plan" is a combination of the former 973 Program, 863 Program and National Technology Support Program, which aim to address major scientific issues that faced with national strategies. The approval of the Project offers in-depth support to the Group on improving the quality and market competitiveness of intraocular lens product and its strategic plan related to replacement of imported 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 a marketing model that combines with distribution and direct sales, and owns extensive and effective sales network in China.

As at 30 June 2017, 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, product trainings, academic promotions, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Group's products and keeping abreast of any changes to market needs. The four teams work independently yet complementing each other, centralizing the beneficial resources of the Group to assist the Group's products to expand their market shares rapidly and effectively.

During the Reporting Period, the Group derived revenue of approximately RMB430.04 million and RMB175.08 million (the corresponding period in 2016: RMB276.11 million and RMB96.83 million) from the sales of its products through distributors and from direct sales, respectively, which accounted for 71.1% and 28.9% (the corresponding period in 2016: 74.0% and 26.0%) 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 managing 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 products and brand, expanding the market share and increasing the sales of the products.

OPERATING PROSPECTS IN THE SECOND HALF OF 2017

Recently, the continual growth of the 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 domestic industrialization progress of medical and pharmaceutical industry and reforms of weeding out obsolete capacities, enterprises benefiting from the advantage of scale and in possession of advanced technologies, well established brands, marketing competitive edge and industrial integration capabilities will experience invaluable development opportunities.

In the second half of 2017, the Group will continue to put the proceeds raised to effective use; proactively extend the business scale to the deeper and broader market of ophthalmology on the basis of the whole existing industry chain layout centered on IOL products; explore the fast-growing therapeutic fields of medical aesthetic, orthopedics and surgery; actively identify suitable target companies and to achieve expansionary business growth through acquisitions, capital increase or equity participation.

In the second half of 2017, the Group will continue to focus on the organic growth of the existing segments by the following means:

- enhancing the manufacturing capacity of major products and upgrade the manufacturing facilities of merged companies by improving the quality of products and production efficiency through more intelligent and numerical manufacturing facilities;
- pushing forward the construction of the Group's information technology-based system comprehensively, focusing on and strengthening digital intelligence management of 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, promoting the clinical applications of products, supporting the technical improvements of intraocular lens products and accelerating the replacement of imported goods;
- taking a series of marketing measures to intensify market penetration of original competitive products and expanding the coverage of the new products on key hospitals and areas via a refined multi-dimensional marketing strategy. In the new situation of pharmaceutical marketing, we will increasingly emphasize the compliance management, further advance the development of professional marketing services.

Orthopedics Products

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer cultivation cycle, possesses the advantages of high clinical recognition and relatively broad application. In the second half of 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 for intra-articular viscosupplement products market.

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 has the significant advantages of minimized injection dosage and long-lasting therapeutic effect. The management of the Company has designated differentiated clinical applications, target market and price positioning for the medical chitosan "Chitogel" product, actively enhanced their marketing promotion and sales, and strived to penetrate the market, to secure the overall profitability of orthopedics products through the continuous growth in sales of such product. While implementing the above strategies effectively, the Group will also explore and develop new products, to achieve the synergic development of these orthopedics products, thereby securing the leading position of the Group in the market of intra-articular viscosupplement products in China.

Medical Aesthetics and Wound Care Products

In the second half of 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 "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 exploring the market of its key commercial partners while expanding the coverage in medical institutions.

Anti-Adhesion and Hemostasis Products

In respect of the current market landscape of anti-adhesion products, there are various types of products in the Chinese market and market concentration is relatively high. The top three manufacturers, representing nearly 80% of the market share in aggregate. Recently, more challenges are posed during product renewal and new product registrations as the government continued to raise demands on the quality of such products. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. Meanwhile, the Group continues to put more efforts in improving the specifications and packaging of the anti-adhesion and hemostasis products. The Group is able to provide a series of products with the most comprehensive and integrated specifications. The detailed designs can render more user-friendly products and further cater for clinical needs, thus cultivating a brand preference for medical practitioners. In the second half of 2017, the Group will enhance the market recognition and acceptance of the products among clinical surgery by putting more efforts in professional promotion, preparing for the rapid growth of such products.

Ophthalmology Products

The Group focuses on the investment and industrial integration of the ophthalmic high-valued materials, pharmaceuticals and diagnosing equipment used in ophthalmology surgery in China. In the second half of 2017, leveraging on its management team's brilliant track record, resource advantages and rich experiences in integrating strategic assets, the Group will seek to streamline and integrate the internal and external products, technology, talents and other resources, aiming to promote the application of new materials and leverage on the advantages of overseas technological platform. The Group is committed to develop domestic IOL products and promote the domestic industrialization of overseas matured IOL production technology, aiming to enhance the productivity, quality and market competitiveness of domestic enterprises, which in turn achieves replacement of imported products with domestic products in domestic market and expansion to international market, to explore the potential ophthalmology market with global customers. In addition, the Group will explore the development of ophthalmic treatments in glaucoma, fundus and dry eyes and build an industry foundation for its future business growth with efficient industry integration.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate operating revenue of approximately RMB605.12 million, representing an increase of 62.3% as compared to the corresponding period in 2016, which was primarily attributable to the increased sales volumes of the Group's various major products, especially products from acquisition business of the ophthalmology section. Following the growth in revenue, the cost of sales of the Group amounted to approximately RMB127.29 million, representing an increase of 104.41% as compared to the corresponding period in 2016.

The overall gross profit margin of the Group decreased from 83.3% for the corresponding period in 2016 to 79.0% for the Reporting Period, primarily due to the lower overall gross profit margin of the ophthalmology enterprises successively acquired by the Group since the end of 2016 as compared to that of our existing businesses. 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 RMB129.84 million for the corresponding period in 2016 to approximately RMB213.34 million for the Reporting Period, representing an increase of approximately RMB83.50 million. The proportion of selling and distribution expenses to the Group's total revenue increased from 34.8% for the corresponding period in 2016 to 35.3% for the Reporting Period. The general increase in the selling and distribution expenses of the Group during the Reporting Period was primarily due to the existing selling and distribution expenses incurred by ophthalmology enterprises successively acquired since the end of 2016. In addition, the Group's increasing involvement in academic promotion and launching campaign of new products such as HA dermal filler product "Janlane" during the Reporting Period also led to the increase in selling expenses.

Administrative Expenses

The administrative expenses of the Group increased from approximately RMB25.20 million recorded for the corresponding period in 2016 to approximately RMB65.76 million for the Reporting Period, representing an increase of approximately RMB40.56 million. The administrative expenses to the Group's total revenue increased from 6.8% for the corresponding period in 2016 to 10.9% for the Reporting Period. The general increase in the administrative expenses of the Group during the Reporting Period was primarily due to the existing administrative expenses incurred by the ophthalmology enterprises acquired since the end of 2016 and the amortization charge of intangible assets from business acquisitions. Moreover, the increase in service fees of professional institutions and domestic and overseas travelling expenses with respect to the business acquisitions of the Group also contributed to increased administrative expenses.

R&D Expenses

The R&D expenses of the Group increased from approximately RMB20.73 million recorded for the corresponding period in 2016 to approximately RMB32.12 million for the Reporting Period, representing an increase of approximately RMB11.39 million, primarily due to the existing R&D expenses from the ophthalmology enterprises acquired since the end of 2016. Meanwhile, as the Group continued to enlarge its R&D investments, more pipeline products also resulted in the growth in R&D expenses. During the Reporting Period, the proportion of R&D expenses accounted for 5.3% (the corresponding period in 2016: 5.6%) of the total revenue of the Group. With the Group's rich product pipeline under development and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for the sustainable growth of the Group in the future.

Income Tax Expense

During the Reporting Period, the income tax expense of the Group increased from approximately RMB26.61 million for the corresponding period in 2016 to approximately RMB35.41 million for the Reporting Period, representing an increase of approximately RMB8.80 million.

The effective rate of income tax for the Group slightly increased from 14.9% for the corresponding period in 2016 to 15.9% for the Reporting Period, primarily due to higher tax rate applicable to some enterprises acquired by the Group since 2016.

Interim Results

Due to the above reasons, the Group's profit attributable to ordinary equity holders of the parent amounted to approximately RMB175.78 million during the Reporting Period, representing an increase of approximately 16.0% as compared to the corresponding period in 2016. During the Reporting Period, the Group's amortization charge of intangible assets incurred by acquisitions after tax was approximately RMB8.27 million (the corresponding period in 2016: nil). Excluding such impact, the Group's profit during the Reporting Period was approximately RMB194.91 million, representing an increase of approximately 28.7% as compared to the amount of RMB151.44 million for the corresponding period in 2016.

During the Reporting Period, the basic earnings per share were RMB1.10 (the corresponding period in 2016: RMB0.95). 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 30 June 2017, the total current assets of the Group was approximately RMB2,286.15 million, representing a decrease of approximately RMB202.01 million as compared to the amount as at 31 December 2016, and the total current liabilities was approximately RMB456.83 million, representing a decrease of RMB79.33 million as compared to the amount as at 31 December 2016. As at 30 June 2017, the Group's current assets to liabilities ratio was approximately 5.00 (31 December 2016: 4.64).

Capital Structure

There has been no change in the capital structure of the Company since 31 December 2016. 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 (not including the addition from acquisition of a subsidiary). During the six months ended 30 June 2017, the Company's total capital expenditures were approximately RMB32.76 million.

Employees and Remuneration Policy

The Group had 1,036 employees as of 30 June 2017. The breakdown of our total number of employees by function was as follows:

Production	376
Research and Development	207
Sales and Marketing	280
Supply	24
Administration	149
Total	1,036

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 RMB68.64 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 30 June 2017, one of the subsidiaries of the Group's bank borrwings of GBP2.21 million (equivalent to approximately RMB19.50 million) was secured by the pledge of its property, plant and equipment with the carrying amount of GBP3.23 million (equivalent to approximately RMB28.48 million) (31 December 2016: nil).

Gearing Ratio

As at 30 June 2017, the total liabilities of the Group amounted to approximately RMB697.52 million and the gearing ratio (total liabilities/total assets) x 100%) was 18.2% as compared to 19.2% as at 31 December 2016. The decrease as compared to the end of 2016 was primarily due to the Group's final payment for part of the business acquisitions during the Reporting Period.

Bank Borrowings

As at 30 June 2017, Shenzhen NIMO, a subsidiary of the Group, and Contamac Holdings, a subsidiary acquired during the Reporting Period, had interest-bearing bank borrowings of approximately RMB5.67 million and GBP2.21 million (totaling approximately RMB19.50 million) respectively (31 December 2016: RMB26.67 million). For details, please refer to note 18 to the interim condensed consolidated financial statements as contained in this report.

Future Plans for Material Investments and Capital Assets

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

Significant Investment

Save as disclosed in this report, the Group has no other significant investment during the Reporting Period.

Material Acquisition

During the Reporting Period, the Group acquired 70% of the share capital in Contamac Holdings, a UK IOL, ophthalmic materials and technology supplier, with a cash consideration of GBP24,500,000 (equivalent to approximately RMB215,563,000). For details, please refer to the announcement of the Company dated 13 April 2017.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 30 June 2017, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (unaudited)	For the six-month period ended 30 June 2016 RMB'000 (unaudited)
REVENUE	4	605,124	372,936
Cost of sales		(127,287)	(62,266)
Gross profit		477,837	310,670
Other income and gains, net	4	56,292	46,459
Selling and distribution expenses		(213,335)	(129,838)
Administrative expenses		(65,763)	(25,204)
Research and development costs		(32,121)	(20,726)
Other expenses		149	(3,501)
Finance costs		(1,012)	—
Share of profits and losses of:			
An associate		—	190
PROFIT BEFORE TAX		222,047	178,050
Income tax expense	5	(35,408)	(26,607)
PROFIT FOR THE PERIOD		186,639	151,443
Attributable to:			
Ordinary equity holders of the parent		175,777	151,523
Non-controlling interests		10,862	(80)
		186,639	151,443

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
PROFIT FOR THE PERIOD		**186,639**	151,443
Available-for-sale investments:			
Changes in fair value		**(5,471)**	(21,238)
Exchange differences on translation of foreign operations		**1,151**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(4,320)**	(21,238)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**182,319**	130,205
Attributable to:			
Ordinary equity holders of the parent		**171,457**	130,285
Non-controlling interests		**10,862**	(80)
		182,319	130,205
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
– Profit for the period	7	**1.10**	0.95

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	513,513	474,754
Prepaid land lease payments		30,519	30,888
Other intangible assets	9	466,063	295,406
Goodwill		361,787	292,084
Investment in a joint venture		7,035	—
Investment in an associate		4,892	—
Available-for-sale investments	10	128,955	64,226
Deferred tax assets		14,973	8,813
Other non-current assets	11	24,147	39,078
Total non-current assets		1,551,884	1,205,249
CURRENT ASSETS			
Inventories	12	144,382	117,953
Trade and bills receivables	13	310,380	235,153
Prepayments, deposits and other receivables	14	94,576	124,802
Cash and bank balances	15	1,736,814	2,010,255
Total current assets		2,286,152	2,488,163
CURRENT LIABILITIES			
Trade payables	16	37,383	19,686
Other payables and accruals	17	368,579	442,451
Interest-bearing bank borrowings	18	5,673	26,666
Tax payable		43,797	47,352
Other non-current liabilities due within one year	18	1,396	—
Total current liabilities		456,828	536,155
NET CURRENT ASSETS		1,829,324	1,952,008
TOTAL ASSETS LESS CURRENT LIABILITIES		3,381,208	3,157,257
NON-CURRENT LIABILITIES			
Other payables and accruals	17	90,093	75,600
Interest-bearing bank borrowings	18	18,100	—
Deferred tax liabilities		121,944	83,787
Deferred income		10,559	12,010
Total non-current liabilities		240,696	171,397
NET ASSETS		3,140,512	2,985,860

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		160,045	160,045
Reserves		2,835,381	2,743,947
		2,995,426	2,903,992
Non-controlling interests		145,086	81,868
Total equity		3,140,512	2,985,860

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

	Attributable to ordinary equity holders of the parent								
	Share capital RMB'000	Share premium account* RMB'000	Available-for-sale investment revaluation reserve* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 31 December 2015 and 1 January 2016	160,045	1,770,386	—	59,979	—	671,501	2,903,992	3,523	2,665,434
Profit for the period	—	—	—	—	—	151,523	175,776	(80)	151,443
Other comprehensive income for the period:									
Change in fair value of available-for-sale investments	—	—	(22,586)	—	1,348	—	(21,238)	—	(21,238)
Total comprehensive income for the period	—	—	(22,586)	—	1,348	151,523	130,285	(80)	130,205
Dividends declared	—	—	—	—	—	(64,018)	(64,018)	—	(64,018)
As at 30 June 2016	160,045	1,770,386	(22,586)	59,979	1,348	759,006	2,728,178	3,443	2,731,621

	Attributable to ordinary equity holders of the parent								
	Share capital RMB'000	Share premium account* RMB'000	Available-for-sale investment revaluation reserve* RMB'000	Statutory reserve funds* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 31 December 2016 and 1 January 2017	160,045	1,770,386	(1,587)	77,680	2,634	894,834	2,903,992	81,868	2,985,860
Profit for the period						175,777	175,777	10,862	186,639
Other comprehensive income for the period:									
Change in fair value of available-for-sale investments	—	—	(5,471)	—	—	—	(5,471)	—	(5,471)
Exchange differences related to foreign operations	—	—	—	—	1,151	—	1,151	—	1,151
Total comprehensive income for the period	—	—	(5,471)	—	1,151	175,777	171,457	10,862	182,319
Non-controlling interests arising from business combination	—	—	—	—	—	—	—	62,512	62,512
Dividends declared to non-controlling interests	—	—	—	—	—	—	—	(10,156)	(10,156)
Dividends declared	—	—	—	—	—	(80,023)	(80,023)	—	(80,023)
As at 30 June 2017	160,045	1,770,386	(7,058)	77,680	3,785	990,588	2,995,426	145,086	3,140,512

* These reserve accounts comprise the consolidated reserves of RMB2,835,381,000 (unaudited) and RMB2,568,133,000 (unaudited) as at 30 June 2017 and 2016, respectively, in the consolidated statement of the financial position.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	For the six-month period ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM OPERATIONS		**205,033**	124,534
Income tax paid		**(45,493)**	(27,242)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**159,540**	97,292
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received from bank deposits		**24,138**	21,015
Purchases of items of property, plant and equipment		**(32,755)**	(40,041)
Proceeds from disposal of items of property, plant and equipment		**286**	38
Receipt of government grants		**—**	560
Payment for acquisition of subsidiaries		**(274,995)**	—
Purchase of available-for-sale investments		**(70,200)**	(65,730)
Receipt of dividend from an available-for-sale investment		**2,087**	—
Receipt of interest from available-for-sale investments		**450**	—
Refundable deposit for business acquisition		**—**	(30,000)
Decrease/(increase) in time deposits with original maturity of more than three months		**48,372**	(340,000)
Net cash flows used in investing activities		**(302,617)**	(454,158)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from bank borrowings		**5,000**	—
Repayment of bank borrowings		**(25,993)**	—
Interest paid		**(1,029)**	—
Dividends paid to non-controlling shareholders of a subsidiary		**(50,900)**	—
Dividends paid		**(5,752)**	—
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(78,674)**	—
Net decrease in cash and cash equivalents		**(221,751)**	(356,866)
Cash and cash equivalents at beginning of period		**725,255**	2,037,787
Effect of foreign exchange rate changes, net		**(3,318)**	55
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15	**500,186**	1,680,976
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	15	**1,736,814**	2,160,976
Time deposits with original maturity of more than three months when acquired	15	**(1,236,628)**	(480,000)
Cash and cash equivalents as stated in the statement of cash flows		**500,186**	1,680,976

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.

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Qisheng	PRC 27 May 1992	RMB160,000,000	100	—	Manufacture and sale of biological reagents, biologicals and biological materials
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

1. CORPORATE AND GROUP INFORMATION (Continued)

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	
			%	%	
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
Shanghai Baiyue	PRC 25 September 2014	RMB10,000,000	60	—	Sale of medical equipment
Haohai Holdings	Hong Kong 17 July 2015	HKD150,437,360	100	—	Investment holding and trading
Haohai Development	PRC 19 February 2016	RMB510,000,000	100	—	Pharmaceutical and medical device technology development and investment holdings
Henan Universe	PRC 23 April 1991	RMB9,923,200	—	100	Manufacture and sale of intraocular lens and and related products

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shenzhen NIMO	PRC 27 April 2006	RMB11,000,000	—	60	Sale of ophthalmology products
Zhuhai Eyegood	PRC 24 November 2000	RMB22,639,954	—	98	Manufacture and sale ophthalmology products
Aaren Laboratories	USA 23 May 2016	USD1,000,000	—	100	Manufacture and sale of ophthalmology products
Contamac Holdings(1)	UK 13 October 2009	GBP1,100	—	70	Manufacture and sale of ophthalmology materials
Contamac Limited(1)	UK 10 May 1991	GBP1,000	—	70	Manufacture and sale of ophthalmology materials

Note:

(1) During the Reporting Period, the Group acquired 70% of share capital in Contamac Holdings with a cash consideration of GBP24,500,000 (equivalent to approximately RMB215,563,000). Contamac Limited is a wholly-owned subsidiary of Contamac Holdings.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the new standards and interpretations as of 1 January 2017, noted below:

Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 12	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 No mandatory effective date yet determined but is available for adoption

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

2.3 NEW AND REVISED IFRSS NOT YET ADOPTED

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 1 Included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IAS 28 Included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019

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, 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 92% revenue through its operation in the mainland China and over 85% of the assets of the Group are located in the 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 (for the corresponding period in 2016: 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 period.

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

		For the six-month period ended 30 June	
		2017	2016
	Note	RMB'000	RMB'000
Revenue			
Sale of goods		605,124	372,936
Other income and gains			
Interest income from bank deposits		29,110	29,061
Government grants	i)	24,763	16,241
Exchange gains/(loss)		(3,318)	55
Dividends received		2,087	—
Others		3,650	1,102
		56,292	46,459

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, Aaren Laboratories and Contamac Holdings, are registered in the PRC and only have operations in the mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

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. In 2017, the Company, Shanghai Qisheng and Shanghai Jianhua are in the process of HNTE status renewal for the next three years from 2017 to 2019. Based on the experiences and current feedback from the authorities, the directors of the Company believe that the renewal would be successful. Therefore, the preferential income tax rate of 15% was applied during Reporting Period for the Company, Shanghai Qisheng and Shanghai Jianhua. Shenzhen NIMO was accredited as 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 34% on the estimated assessable profits arising in the USA during the Reporting Period.

Contamac Holdings' profits tax has been provided at the rate of 20% on the estimated assessable profits arising in the UK during the Reporting Period.

Contamac Limited's profits tax has been provided at the rate of 20% on the estimated assessable profits arising in the UK during the Reporting Period.

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current		
Charge for the period	**41,831**	26,349
Underprovision in prior period	**107**	—
Deferred	**(6,530)**	258
Total tax charge for the period	**35,408**	26,607

6. DIVIDENDS

The proposed final dividend of RMB0.50 (tax included) per ordinary share for the year ended 31 December 2016 was declared payable by the shareholders at the annual general meeting of the Company on 23 June 2017.

The directors of the Company does not recommend the distribution of an interim dividend in respect of six-month period ended 30 June 2017 (for the corresponding period in 2016: nil).

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 (for the corresponding period in 2016: 160,045,300) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2017 and 2016.

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

	For the six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**175,777**	151,523
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**160,045,300**	160,045,300

8. PROPERTY, PLANT AND EQUIPMENT

	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Carrying amount at beginning of the period	474,754	396,595
Additions	25,805	35,590
Acquisition of subsidiaries (note 19)	33,721	—
Disposals	(24)	(173)
Depreciation provided during the period	(20,446)	(15,877)
Exchange realignment	(297)	—
Carrying amount at end of the period	513,513	416,135

The Group's property, plant and equipment with a net carrying value of GBP3,231,000 (equivalent to approximately RMB28,479,000) (31 December 2016: nil), were pledged as security for an interest-bearing bank loan as set out in note 18 to the financial statements.

9. OTHER INTANGIBLE ASSETS

	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Carrying amount at beginning of the period	295,406	3,262
Acquisition of subsidiaries (note 19)	182,598	—
Amortization provided during the period	(10,527)	(394)
Exchange realignment	(1,414)	—
Carrying amount at end of the period	466,063	2,868

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Listed equity investments, at fair value	58,755	64,226
Unlisted investments, at cost	70,200	—
	128,955	64,226

During the Reporting Period, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB5,471,000 (for the corresponding period in 2016: loss of RMB21,238,000).

11. OTHER NON-CURRENT ASSETS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Prepayments for property, plant and equipment	14,147	9,078
Refundable deposits for business acquisition	10,000	30,000
	24,147	39,078

12. INVENTORIES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Raw materials	45,226	44,213
Work in progress	19,402	12,605
Finished goods	31,409	17,884
Merchandises	48,486	43,670
	144,623	118,372
Less: provision for inventories	241	419
	144,382	117,953

13. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	336,820	257,307
Bills receivable	1,642	—
Impairment	(28,082)	(22,154)
	310,380	235,153

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 and bills receivables are non-interest-bearing.

13. TRADE AND BILLS RECEIVABLES (Continued)

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:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 3 months	230,145	171,333
3 to 6 months	46,953	45,723
6 months to 1 year	21,797	16,001
1 to 2 years	8,198	2,024
2 to 3 years	1,645	72
	308,738	235,153

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
At 1 January	22,154	4,720
Arising from acquisition of subsidiaries (note 19)	996	12,643
Impairment losses recognised	6,186	4,791
Impairment losses reversed	(979)	—
Amount written off as uncollectible	(275)	—
	28,082	22,154

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.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Prepayments	27,228	22,169
Deposits and other receivables	70,458	111,286
Impairment	(3,110)	(8,653)
	94,576	124,802

The movements in provision for impairment of deposits and other receivables are as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
At 1 January	8,653	811
Arising from acquisition of subsidiaries (note 19)	34	5,587
Impairment losses recognised	304	3,407
Impairment losses reversed	(5,881)	(1,152)
	3,110	8,653

15. CASH AND BANK BALANCES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Cash and bank balances	1,736,814	2,010,255
Time deposits with original maturity of more than three months when acquired	(1,236,628)	(1,285,000)
Cash and cash equivalents	500,186	725,255

16. TRADE PAYABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade payables	37,383	19,686

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 3 months	31,854	14,180
3 months to 1 year	2,982	2,994
Over 1 year	2,547	2,512
	37,383	19,686

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Current:		
Payroll and welfare payable	8,528	24,763
Other taxes payable	23,474	38,924
Accrued expenses	57,371	14,210
Advances from customers	40,313	21,646
Payables related to:		
Government grants received	31,660	31,845
Purchases of property, plant and equipment	17,212	19,093
Deposits received	18,737	19,697
Others	6,511	24,981
Payables for acquisition of subsidiaries	72,065	180,092
Dividends payable to ordinary equity holders of the parent company	72,021	5,752
Dividends payable to non-controlling shareholders of subsidiaries	20,687	61,431
Interest payable	—	17
	368,579	442,451
Non-current:		
Payables for acquisition of subsidiaries	87,272	75,600
Accrued expenses	2,821	—
	90,093	75,600
	458,672	518,051

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

18. INTEREST-BEARING BANK BORROWINGS

	Note	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Bank loans:			
– secured	(1)	25,169	26,666
Portion classified as current liabilities		(7,069)	(26,666)
Non-current portion		18,100	—

Note:

The bank loans bear interest at rates ranging from 2.67% to 6.55% (2016: 4.32% to 6.55%) per annum.

(1) As at 30 June 2017, the apartments of the non-controlling shareholders of Shenzhen NIMO were pledged for a bank loan of RMB5,673,000, which was also guaranteed by these shareholders. Meanwhile, one of the subsidiaries of the Group's bank loan of GBP2,212,000 (equivalent to approximately RMB19,497,000) was secured by the pledge of certain of its property, plant and equipment (note 8) with the carrying amount of GBP3,231,000 (equivalent to approximately RMB28,479,000) (31 December 2016: nil).

19. BUSINESS COMBINATION

(a) On 31 May 2017, the Group acquired a 70% interest in Contamac Holdings from the third parties. The acquisition was made as part of the Group's strategy to expand its market share of ophthalmology products. The purchase consideration for the acquisition was in the form of cash of GBP24,500,000 (equivalent to approximately RMB215,563,000) in total, with GBP15,000,000 paid at or near the acquisition date, and the remaining GBP9,500,000 as the profit guarantee bonus would be paid to the sellers when the profit guarantee is completed.

19. BUSINESS COMBINATION (Continued)

(a) (Continued)

The fair values of the identifiable assets and liabilities of Contamac Group on the acquisition date are as follows:

	Notes	Fair value recognised on acquisition RMB'000 (unaudited)
Investment in a joint venture		7,035
Investment in an associate		4,892
Property, plant and equipment	8	33,721
Other intangible assets	9	182,598
Deferred tax assets		206
Cash and bank balances		20,536
Trade receivables		18,927
Inventories		11,849
Prepayments, deposits and other receivables		8,157
Interest-bearing bank borrowings		(19,448)
Trade payables		(6,646)
Deferred tax liabilities		(39,279)
Other payables and accruals		(14,176)
Total identifiable net assets at fair value		208,372
Non-controlling interests		(62,512)
		145,860
Goodwill on acquisition		69,703
Total purchase consideration		215,563

The fair values of the trade receivables and other receivables on the acquisition date amounted to approximately RMB18,927,000 and RMB646,000, respectively. The gross contractual amounts of trade receivables and other receivables were approximately RMB19,923,000 and RMB680,000, respectively, of which trade receivables of approximately RMB996,000 and other receivables of approximately RMB34,000 are expected to be uncollectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

19. BUSINESS COMBINATION (Continued)

(a) An analysis of the cash flows in respect of the acquisition of Contamac Group is as follows:

	RMB'000 (unaudited)
Cash consideration paid	131,827
Cash and bank balances acquired	(20,536)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	111,291

Since the acquisition, Contamac Group contributed approximately RMB10,553,000 to the Group's revenue and RMB871,000 to the profit for the six-month period ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the period would have been RMB61,535,000 and RMB15,065,000, respectively.

20. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease arrangements. Leases for property, plant and equipment are negotiated for terms of one to five years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	8,844	3,711
In the second to fifth years, inclusive	11,917	899
	20,761	4,610

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments at the end of the Reporting Period:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for:		
Plant and machinery	18,646	49,262

22. RELATED PARTY TRANSACTIONS

During the Reporting Period, the Company rented Rooms 501 and 502, Building 2, No. 139 Anshun Road with a total building area of 329.77 square metres at a monthly rental fee of RMB25,000, (for the corresponding period of 2016: RMB25,000 per month) and Rooms 503 and 504, Building 2, No. 139 Anshun Road with the same total building area at a monthly rental fee of RMB25,000 (for the corresponding period of 2016: RMB25,000 per month) with a lease period from 1 January 2016 to 31 December 2017, respectively, from Ms. You Jie and Shanghai Haohai Chemical Company Limited.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Available-for-sale investments	58,755	64,226	58,755	64,226

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017

	Fair value measurement using:			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	58,755	—	—	58,755

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016, respectively.

The corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Reporting Period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

24. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 30 August 2017.

INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2017 were published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.3healthcare.com) on 30 August 2017 for information disclosure.

INTERIM DIVIDEND

The Board of the Company does not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

SHARE CAPITAL

Share capital of the Company as at 30 June 2017 was as follows:

Nature of shares	Number of shares	Percentage of issued share capital
Domestic shares	120,000,000	74.98%
H shares	40,045,300	25.02%

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

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

From 30 June 2017 to the date of this report, there were no significant events after the Reporting Period.

SUBSTANTIAL SHAREHOLDERS

On 30 June 2017, to the best knowledge of the Directors, the interests or short positions of the following persons (which are not Directors, chief executives or supervisors of the Company) in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Substantial Shareholders Holding Domestic Shares of the Company

Name	Number of domestic shares (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Jiang Wei[1]	42,800,000 (L)	35.67	26.74	Beneficial owner
	28,800,000 (L)	24.00	17.99	Interest of spouse
	6,471,000 (L)	5.39	4.04	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanxi Corporate Management Limited Company[2]	6,471,000 (L)	5.39	4.04	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership)[2]	6,471,000 (L)	5.39	4.04	Beneficial owner
Lou Guoliang	10,000,000 (L)	8.33	6.25	Beneficial owner

Note: L denotes long position

1. Mr. Jiang Wei directly holds 42,800,000 domestic shares in the Company. He is the spouse of Ms. You Jie, our non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 domestic shares held by Ms. You Jie in the Company. He holds 6,471,000 domestic shares in the Company through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its controlling shareholder Shanghai Zhanxi Corporate Management Limited Company.

2 Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its controlling shareholder Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.

3. Pursuant to Part XV of the SFO, if certain conditions are met, the shareholders of the Company are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the shareholders in the Company, the shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

Substantial Shareholders Holding H Shares of the Company

Name	Number of H shares (shares)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Prime Capital Management Company Limited(1)	6,044,578 (L)	15.09	3.78	Investment Manager
Prudence Investment Management (Hong Kong) Limited(1)	4,102,300 (L)	10.24	2.56	Investment Manager
UBS AG(1) (2)	3,511,122 (L)	8.77	2.19	Person having a security interest in shares
	491,300 (L)	1.23	0.31	Interest of corporation controlled by the substantial shareholder
UBS Group AG(1) (3)	3,907,020 (L)	9.76	2.44	Person having a security interest in shares
	1,000 (L)	0.002	0.0006	Interest of corporation controlled by the substantial shareholder
Templeton Investment Counsel, LLC(1)	3,634,200 (L)	9.08	2.27	Investment Manager
Matthews International Capital Management, LLC(1)	2,404,400 (L)	6.00	1.50	Investment Manager

Notes: L denotes long position and S denotes short position

1. The disclosure is based on the information available on the website of the Stock Exchange (www.hkexnews.com.hk).

2. Among the long position of these 4,002,422 H shares, UBS AG was deemed to hold long position of 3,511,122 H shares through its security interest in those shares. In addition, UBS AG was deemed to have interest in long position of 491,300 H shares (UBS Global Asset Management (Hong Kong) Limited and UBS Fund Services (Luxembourg) S.A. were all wholly-owned by UBS AG, and were beneficially holding long position of 122,800 H shares and long position of 368,500 H shares in the Company, respectively).

3. Among the long position of these 3,907,020 H Shares, UBS Group AG was deemed to hold long position of 3,907,020 H Shares through its security interest in those shares. In addition, UBS Group AG was deemed to have interest in long position of 1,000 H Shares (UBS Fund Management (Switzerland) AG was wholly owned by UBS Group AG, and was beneficially holding long position of 1,000 H Shares in the Company.)

OTHER INFORMATION

Saved as disclosed above, as at 30 June 2017, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying shares of the Company, which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

As at 30 June 2017, the interests or short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Name	Number of domestic shares of the Company (shares)	Approximate percentage of total issued domestic share capital (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
You Jie[1]	28,800,000 (L)	24.00	17.99	Beneficial owner
	49,271,000 (L)	41.06	30.79	Interest of spouse
Hou Yongtai	6,000,000 (L)	5.00	3.75	Beneficial owner
Wu Jianying	6,000,000 (L)	5.00	3.75	Beneficial owner
Huang Ming	2,000,000 (L)	1.67	1.25	Beneficial owner
Gan Renbao	500,000 (L)	0.42	0.31	Beneficial owner
Chen Yiyi	400,000 (L)	0.33	0.25	Beneficial owner
Liu Yuanzhong	2,000,000 (L)	1.67	1.25	Beneficial owner

Note: L denotes long position

1. Ms. You Jie directly holds 28,800,000 domestic shares in the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 49,271,000 domestic shares held by Mr. Jiang Wei in the Company.

2. Pursuant to Part XV of the SFO, if certain conditions are met, the shareholders of the Company are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the shareholders in the Company, the shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2017, none of the other Directors, supervisors or chief executives of the Company or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company has established an audit committee, which is comprised of five Directors, namely Mr. Shen Hongbo (chairman), Ms. You Jie, Mr. Chen Huabin, Mr. Li Yuanxu and Mr. Zhu Qin. 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 systems. The Audit Committee held meetings on 30 March 2017 and 30 August 2017 to consider the Group's audited consolidated financial statements for the year ended 31 December 2016 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group and the interim report for the six months ended 30 June 2017 and agreed with the accounting treatment adopted by the Company.

CHANGES OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The changes in the information of Directors and supervisors since the date of the Company's 2016 annual report are set out below:

Mr. Wu Jianying, an executive Director and the General Manager of the Company, served as a director of Contamac Holdings, a subsidiary of the Company since June 2017.

Mr. Huang Ming, an executive Director, Secretary of the Board and joint company secretary of the Company, served as a director of Contamac Holdings, a subsidiary of the Company since June 2017.

Mr. Tang Minjie, an executive Director and Chief Financial Officer, served as a director of Contamac Holdings, a subsidiary of the Company since June 2017.

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

CHANGE OF MEMBER OF THE BOARD

Mr. Tang Minjie has been appointed as an executive Director of the Third Session of the Board of the Company with effect from 14 February 2017.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Having made specific enquiries 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors or their respective associates (as defined in the Listing Rules) was granted by the Company or its subsidiaries any rights or options to acquire any shares in or debentures of the Company or had exercised any such rights during the Reporting Period.

MATERIAL LITIGATION

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

By order of the Board
Hou Yongtai
Chairman

Shanghai, the PRC, 30 August 2017

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

"Aaren Laboratories"	Aaren Laboratories, LLC, established in USA on 23 May 2016, which is a direct wholly-owned subsidiary of Haohai Development
"Board"	board of Directors of the Company
"CFDA"	the China Food and Drug Administration of the PRC (中華人民共和國國家食品藥品監督管理總局)
"Company" or "our Company"	Shanghai Haohai Biological Technology Co., Ltd. (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability and converted from its predecessor, Shanghai Haohai Bio Technology Company Limited (上海昊海生物科技有限公司) on 2 August 2010
"Contamac Group"	Contamac Holdings and its subsidiaries
"Contamac Holdings"	Contamac Holdings limited, established in UK on 13 October 2009. Since 2 June 2017, the Company indirectly holds 70% of its equity interest
"Director(s)"	director(s) of the Company
"GBP"	pound stering, the lawful currency of the UK
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Haohai Development"	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a limited liability company established in the PRC on 19 February 2016, which is a direct wholly-owned subsidiary of our Company
"Haohai Holdings"	Haohai Healthcare Holdings Co., Ltd. (昊海生物科技控股有限公司), a limited liability company established in Hong Kong, the PRC on 17 July 2015, which is a direct wholly-owned subsidiary of our Company
"Henan Universe"	Henan Universe Intraocular Lens Research and Manufacture Company, Ltd (河南宇宙人工晶狀體研製有限公司), a company established in the PRC on 30 April 1991. Since November 2016, Haohai Holdings, a wholly-owned subsidiary of the Company, holds 100% of its equity interest
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

"PRC", "China" or "People's Republic of China"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan, unless otherwise specified
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the six-month period from 1 January 2017 to 30 June 2017
"Shanghai Baiyue"	Shanghai Baiyue Medical Equipment Co., Ltd. (上海柏越醫療設備有限公司), a company established in the PRC on 25 September 2014. Since 3 February 2015, the Company holds 60% of its equity interest
"Shanghai Jianhua"	Shanghai Jianhua Fine Biological Products Company Limited (上海建華精細生物製品有限公司), a company established in the PRC on October 20, 1993 and converted into a limited liability company on August 14, 1995, which is a direct wholly-owned subsidiary of our Company
"Shanghai Likangrui"	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a limited liability company established in the PRC on 3 September 2001, which is a direct wholly-owned subsidiary of our Company
"Shanghai Qisheng"	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a company established in the PRC on 27 May 1992, converted into a joint-stock cooperative enterprise on 10 July 1995 and further converted into a limited liability company on 28 March 2001, which is a direct wholly-owned subsidiary of our Company
"Shenzhen NIMO"	Shenzhen New Industries Material of Ophthalmology Co., Ltd. (深圳市新產業眼科新技術有限公司), a company established in the PRC on 27 April 2006. Since November 2016, the Company, holds 60% of its equity interest
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UK"	The United Kingdom of Great Britain and Northern Ireland
"USA" or "US"	The United States of America
"US$"	US dollars, the lawful currency of the USA
"Zhuhai Eyegood"	Eyegood Medical (Zhuhai) Co. Ltd. (珠海艾格醫療科技開發有限公司), a company established in the PRC on 24 November 2000. Since December 2016, Haohai Development, a wholly-owned subsidiary of the Company, holds 98% of its equity interest
"%"	per cent.

GLOSSARY OF TECHNICAL TERMS

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

"anti-adhesion"	prevention of fibrous bands formed between tissues and adjacent tissues or organs resulted from injuries during a surgery
"chitosan" (幾丁糖)	a class of polysaccharide without acetyl group or with partial acetyl group, dissolvable in acidic conditions
"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"EGF"	epidermal growth factor, is a polypeptide growth factor that stimulates epidermal and epithelial growth. It can promote growth of a wide of variety of cells in vivo and in vitro
"GMP"	Good Manufacturing Practice, guidelines and regulations from time to time issued pursuant to the PRC Law on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"hemostasis"	the arrest of bleeding
"intraocular lens" or "IOL"	an artificial lens inplanted in the eyes used to replace natural Lens and to treat cataracts or myopia
"medical chitosan" (醫用幾丁糖)	normally carboxyl-methylated chitosan which can be dissolved in water, regulated by CFDA as a Class III medical device
"medical collagen sponge"	spongy material manufactured from bovine tendon by biological purification. It is used to fill operational cavity, wound hemostasis and wound healing
"medical sodium hyaluronate gel" (醫用透明質酸鈉凝膠)	sodium hyaluronate gel solution used for the ophthalmic surgery or anti-adhesive surgery, regulated by CFDA as a Class III medical device
"sodium hyaluronate injection" (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by CFDA as a prescription drug

GLOSSARY OF TECHNICAL TERMS

"ophthalmic viscoelastic device" or "OVD"	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior amber, which makes the operation convenient. It can also protect intraocular tissue and endothelial cell with improved success rate and reduced surgical complications. It is widely used in microsurgeries such as artificial contact lens implantation, penetrating keratoplasty surgery as well as ocular trauma
"recombinant human epidermal growth factor" or "rhEGF"	EGF manufactured specifically by the technology of recombinant genetic engineering in Escherichia coli fermentation
"tissue filling"	a process to inject biomaterials under the skin and fill in the area
"type inspection"	in the healthcare context, type inspection is a type of quality inspection for judging whether the quality of a product conforms to all characteristics given by design which does not involve clinical trials