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Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock Code: 6826)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

HIGHLIGHTS OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

- During the Reporting Period, the Group recorded a revenue of approximately RMB1,305.71 million (the corresponding period in 2022: approximately RMB956.27 million), representing an increase of approximately RMB349.44 million or approximately 36.54% as compared to the corresponding period in 2022.
- During the Reporting Period, R&D expenses of the Group was approximately RMB101.39 million, representing an increase of approximately RMB24.68 million or approximately 32.17% as compared to the corresponding period in 2022. R&D expenses of the Group accounted for 7.77% of its revenue (the corresponding period in 2022: 8.02%).
- During the Reporting Period, the profit attributable to the ordinary equity holders of the Company was approximately RMB205.24 million (the corresponding period in 2022: approximately RMB71.03 million), representing an increase of approximately RMB134.21 million or approximately 188.94% as compared to the corresponding period in 2022.
- During the Reporting Period, the basic earnings per share of the Company was RMB1.20 (the corresponding period in 2022: RMB0.41).
- The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2023.

INTERIM RESULT (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Shanghai Haohai Biological Technology Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**our**” or “**us**”) for the six-month period ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022.

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	1,305,707	956,267
Cost of sales		<u>(379,291)</u>	<u>(289,484)</u>
Gross profit		926,416	666,783
Other income and gains, net	4	64,666	76,072
Selling and distribution expenses		(420,946)	(313,456)
Administrative expenses		(200,636)	(216,585)
Impairment losses on financial assets		(4,594)	(8,615)
Research and development costs		(101,391)	(76,711)
Other expenses		(10,372)	(28,990)
Finance costs		(3,672)	(2,572)
Share of profits and losses of:			
a joint venture		–	1,350
an associate		326	151
PROFIT BEFORE TAX	5	249,797	97,427
Income tax expense	6	<u>(41,110)</u>	<u>(23,337)</u>
PROFIT FOR THE PERIOD		<u>208,687</u>	<u>74,090</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>48,367</u>	<u>(3,868)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>48,367</u>	<u>(3,868)</u>

		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		(7,870)	(40,793)
Income tax effect		379	3,347
		<u>(7,491)</u>	<u>(37,446)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(7,491)</u>	<u>(37,446)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>40,876</u>	<u>(41,314)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>249,563</u></u>	<u><u>32,776</u></u>
Profit attributable to:			
Owners of the parent		205,235	71,030
Non-controlling interests		3,452	3,060
		<u>208,687</u>	<u>74,090</u>
Total comprehensive income attributable to:			
Owners of the parent		236,412	30,662
Non-controlling interests		13,151	2,114
		<u>249,563</u>	<u>32,776</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	8	<u><u>RMB1.20</u></u>	<u><u>RMB0.41</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 RMB'000 <i>(Unaudited)</i>	31 December 2022 RMB'000 <i>(Audited)</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,310,758	1,286,396
Right-of-use assets		208,367	222,441
Other intangible assets		605,506	620,416
Goodwill		413,308	411,199
Investment in an associate		3,372	3,028
Equity investments designated at fair value through other comprehensive income		655,418	668,412
Deferred tax assets		60,065	59,323
Other non-current assets		118,805	89,068
		<hr/>	<hr/>
Total non-current assets		3,375,599	3,360,283
CURRENT ASSETS			
Inventories		537,882	485,239
Trade and bills receivables	9	398,460	388,275
Prepayments, other receivables and other assets		102,241	104,851
Assets classified as held for sale		9,476	9,159
Pledged deposits		680	2,877
Cash and bank balances		2,829,830	2,541,715
		<hr/>	<hr/>
Total current assets		3,878,569	3,532,116
CURRENT LIABILITIES			
Trade payables	10	86,932	54,533
Other payables and accruals		487,246	397,710
Interest-bearing bank and other borrowings	11	51,742	34,378
Tax payable		31,869	24,654
		<hr/>	<hr/>
Total current liabilities		657,789	511,275

		30 June 2023	31 December 2022
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
NET CURRENT ASSETS		3,220,780	3,020,841
TOTAL ASSETS LESS CURRENT LIABILITIES		6,596,379	6,381,124
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	178,809	83,880
Other payables and accruals		4,500	4,500
Deferred tax liabilities		161,591	163,508
Deferred income		7,101	5,500
Provision		1,080	793
Other non-current liabilities		152,727	220,560
Total non-current liabilities		505,808	478,741
NET ASSETS		6,090,571	5,902,383
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital	12	171,288	174,130
Treasury shares	12	–	(74,042)
Reserves		5,538,329	5,414,521
Non-controlling interests		5,709,617	5,514,609
		380,954	387,774
Total equity		6,090,571	5,902,383

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE AND GROUP INFORMATION

Shanghai Haohai Biological Technology Co., Ltd. (the “**Company**”) was established as a limited liability company on 24 January 2007 in the People’s Republic of China (the “**PRC**”), and the Company was transformed into a joint stock company with limited liability on 2 August 2010. The registered office of the Company is located at No. 5 Tongjing Road, Songjiang Industrial Zone, Shanghai, PRC. The Company issued 40,000,000 H shares and 45,300 H shares on 30 April 2015 and 28 May 2015, respectively. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 April 2015. The Company issued 17,800,000 A shares on 30 October 2019 (“**A Share Offering**”). The A shares of the Company have been listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange (the “**SSE**”) since 30 October 2019. Total number of issued shares of the Company after the A Share Offering was 177,845,300 shares (comprising 40,045,300 H shares and 137,800,000 A shares).

During the six months ended 30 June 2023 (the “**Reporting Period**”), the Company issued 592,874 A shares pursuant to the 2021 A Share Restricted Stock Incentive Scheme implemented by the Company. During the Reporting Period, the Company repurchased 575,900 H shares as treasury shares, which were cancelled on 16 June 2023. The other 2,859,000 H shares repurchased in 2022 were cancelled on 14 February 2023.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the Group's financial statements.
- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023 <i>RMB'000</i> <i>(Unaudited)</i>	2022 <i>RMB'000</i> <i>(Unaudited)</i>
Mainland China	1,059,733	787,631
Europe	87,055	63,624
United States of America ("USA")	65,143	45,810
Other regions and countries	93,776	59,202
	<u>1,305,707</u>	<u>956,267</u>

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

(b) Non-current assets

	30 June 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2022 <i>RMB'000</i> <i>(Audited)</i>
	Mainland China	2,158,809
USA	32,438	33,587
United Kingdom ("U.K.")	278,959	256,350
Other regions and countries	189,910	190,238
	<u>2,660,116</u>	<u>2,632,548</u>

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

Information about major customers

No revenue from a single customer contributed to 10% or more of the Group's revenue during the Reporting Period (six months ended 30 June 2022: none).

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	1,305,707	956,267
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
(a) Disaggregated revenue information		
Type of goods sold		
Ophthalmology products	479,149	354,161
Medical aesthetics and wound care products	483,499	327,057
Orthopedics products	231,173	177,768
Anti-adhesion and hemostasis products	90,487	83,688
Other products	21,399	13,593
Total	1,305,707	956,267
Timing of revenue recognition		
Goods transferred at a point in time	1,303,629	953,359
Services rendered over time	2,078	2,908
Total	1,305,707	956,267

(b) Performance obligation

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

Sale of products

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

Equipment technical service

The performance obligation is satisfied over time as services are rendered. Service contracts are billed based on the time incurred or monthly.

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2023 <i>RMB'000</i> <i>(Unaudited)</i>	2022 <i>RMB'000</i> <i>(Unaudited)</i>
Bank interest income	39,110	42,062
Government grants (<i>note</i>)	18,820	20,513
Dividend income from equity investments at fair value through other comprehensive income	290	470
Interest income from debt investment	–	1,233
Foreign exchange gains, net	–	4,658
Gain on disposal of items of property, plant and equipment	885	13
Others	5,561	7,123
	<u>64,666</u>	<u>76,072</u>

Note:

Various government grants have been received from local government authorities in various regions in the PRC, for compensating research activities. The government grants released have been recorded in other income and gains, among which there were no unfulfilled conditions or contingencies relating to these recognised government grants.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold	379,291	289,484
Depreciation of property, plant and equipment	55,858	55,045
Depreciation of right-of-use assets	12,263	7,569
Amortisation of other intangible assets	33,653	34,225
Research and development costs	101,391	76,711
Lease payments not included in the measurement of lease liabilities	5,283	468
Employee benefit expenses:		
– Wages and salaries	272,256	232,651
– Pension scheme contributions	31,449	17,894
Equity-settled share option expenses	11,824	14,873
Foreign exchange differences, net	3,166	(4,658)
Impairment losses on financial assets, net	4,594	8,615
Impairment loss on other intangible assets	–	15,774
Impairment loss on goodwill	–	9,226
Write-down of inventories to net realisable value	4,870	367
Bank interest income (note 4)	(39,110)	(42,062)
Dividend income from equity investments at fair value through other comprehensive income (note 4)	(290)	(470)
Interest income from debt investment (note 4)	–	(1,233)
Net gain on disposal of items of property, plant and equipment (note 4)	(885)	(13)

6. INCOME TAX

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

The Company, Shanghai Qisheng Biologics Company Limited (“**Shanghai Qisheng**”), Shanghai Jianhua Fine Biological Products Company Limited (“**Shanghai Jianhua**”), Henan Universe Intraocular Lens Research and Manufacture Company Ltd. (“**Henan Universe**”) and Qingdao Huayuan Fine Biological Product Co., Ltd. (“**Qingdao Huayuan**”) were accredited as high and new-tech enterprises (the “**HNTE**”) for the three years from 2020 to 2022 by the relevant authorities. During the Reporting Period, the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan are in the process of HNTE renewal for the next three years from 2023 to 2025. Based on the experiences and current feedback from the authorities, the Directors believe that the renewal would be successful. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for the Company, Shanghai Qisheng, Shanghai Jianhua, Henan Universe and Qingdao Huayuan.

Shenzhen New Industries Material of Ophthalmology Co., Ltd. (“**NIMO**”), Hangzhou Aijinglun Technology Co., Ltd. (“**Hangzhou Aijinglun**”) and Sanhe Laserconn Technology Company Limited (“**Sanhe Laserconn**”) were accredited as HNTTE for the three years from 2022 to 2024 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the Reporting Period for NIMO, Hangzhou Aijinglun and Sanhe Laserconn.

The applicable tax rate for the other subsidiaries registered in Mainland China was 25% (six months ended 30 June 2022: 25%) during the Reporting Period.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The profits tax for subsidiaries in the USA has been provided at the rate of 21% (six months ended 30 June 2022: 21%) on the estimated assessable profits arising in the USA during the Reporting Period.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 19% (six months ended 30 June 2022: 19%) on the estimated assessable profits arising in the U.K. during the Reporting Period.

The profits tax for subsidiaries in France has been provided at the rate of 25% (six months ended 30 June 2022: 28%) on the estimated assessable profits arising in France during the Reporting Period.

The profits tax for subsidiaries in Israel has been provided at the rate of 23% (six months ended 30 June 2022: 23%) on the estimated assessable profits arising in Israel during the Reporting Period.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
Charge for the period	47,565	39,175
Under/(over) provision in prior periods	183	(317)
Deferred	(6,638)	(15,521)
	41,110	23,337

7. DIVIDENDS

The proposed final dividend of RMB0.40 (inclusive of tax) per ordinary share of the Company for the year ended 31 December 2022 was declared payable by the shareholders of the Company at the annual general meeting of the Company on 12 June 2023.

The Directors do not recommend the distribution of an interim dividend in respect of the six months period ended 30 June 2023 (six months ended 30 June 2022: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 171,235,662 (for the six months period ended 30 June 2022: 174,412,017) in issue during the Reporting Period.

The Group had no potentially dilutive ordinary shares in issue during the Reporting Period (for the six months period ended 30 June 2022: nil).

The Group has a share option scheme that has an anti-dilution effect on earnings per share, so the amount of diluted earnings per share and basic earnings per share is the same.

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>205,235</u>	<u>71,030</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	<u>171,235,662</u>	<u>174,412,017</u>

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Bills receivable	5,548	6,749
Trade receivables	435,188	420,390
Impairment	<u>(42,276)</u>	<u>(38,864)</u>
	<u>398,460</u>	<u>388,275</u>

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	391,314	380,116
1 to 2 years	7,146	8,159
	<u>398,460</u>	<u>388,275</u>

10. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	<u>86,932</u>	<u>54,533</u>

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	75,744	36,752
3 months to 1 year	6,794	15,966
Over 1 year	4,394	1,815
	<u>86,932</u>	<u>54,533</u>

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current		
Lease liabilities	17,560	21,359
Bank loans:		
– Pledged	–	5,314
– Unsecured	10,000	–
Current portion of long term bank loans:		
– Unsecured	22,600	6,000
Current portion of long term other loans:		
– Guaranteed (1)	1,378	1,486
– Unsecured (2)	204	219
	<u>51,742</u>	<u>34,378</u>

		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-Current			
Lease liabilities		32,436	39,900
Bank loans:			
– Unsecured		138,400	35,745
– Guaranteed	(1)	5,610	5,354
Other loans:			
– Unsecured		–	97
– Guaranteed	(1)	2,363	2,784
		<u>178,809</u>	<u>83,880</u>
		<u>230,551</u>	<u>118,258</u>
Analysed into:			
Bank loans repayable:			
Within one year or on demand		32,600	11,314
In the second year		83,800	39,270
In the third to fifth years, inclusive		60,210	1,829
		<u>176,610</u>	<u>52,413</u>
Other borrowings repayable:			
Within one year or on demand		19,142	23,064
In the second year		14,679	18,957
In the third to fifth years, inclusive		16,207	19,061
Beyond five years		3,913	4,763
		<u>53,941</u>	<u>65,845</u>
		<u>230,551</u>	<u>118,258</u>

The bank loans bear interest at rates ranging from 0.73% to 2.85% (31 December 2022: 0.73% to 3.51%) per annum.

Notes:

- (1) The guaranteed bank and other loans represent the loans obtained by Bioxis Pharmaceuticals (“**Bioxis**”) guaranteed by the government.
- (2) The unsecured other loan represents an interest-free government loan obtained by ODC Industries (“**ODC**”).

12. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid: 171,287,974 (31 December 2022: 174,130,000) ordinary shares of RMB1.00 each	171,288	174,130

A summary of the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2022 and 1 January 2023	174,130,000	174,130
Issue of shares (<i>note 1</i>)	592,874	593
Cancellation of repurchased H Shares (<i>note 2</i>)	(3,434,900)	(3,435)
At 30 June 2023	171,287,974	171,288

Note 1:

During the Reporting Period, the subscription rights attaching to 592,874 share options were exercised at the subscription price of RMB94.30 per share, resulting in the issue of 592,874 A shares for a total cash consideration of approximately RMB55,909,000.

Note 2:

During the Reporting Period, the Company repurchased 575,900 H shares, which accounted for approximately 0.3351% of the Company's total share capital, at a total consideration of approximately HK\$23,937,000 (equivalent to RMB21,522,000). These H shares were cancelled on 16 June 2023. In addition, another 2,859,000 H shares repurchased in 2022 were cancelled on 14 February 2023.

13. EVENTS AFTER THE REPORTING PERIOD

On 31 July 2023, the Company entered into an equity transfer agreement with the non-controlling shareholders of OHMK (Tianjin) Medical Technology Co., Ltd. ("**Juva Medical**"), pursuant to which, the Company agreed to acquire 36.3636% equity interest of Juva Medical at a total consideration of RMB152,727,100. Upon completion of the transaction, Juva Medical will become a wholly-owned subsidiary of the Company.

There was no other material subsequent event undertaken by the Group after 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Operation Overview

In the first half of 2023, with the recovery of the national economy and the returning to normal of the demand and supply for healthcare, the Company and its subsidiaries respectively carried out production and operating activities normally. During the Reporting Period, the Group actively expanded its marketing and promotion channels and intensified its product marketing efforts, resulting in significant growth in sales volume and revenue of each product line as compared with the corresponding period of the previous year.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,305.71 million, representing an increase of RMB349.44 million, or approximately 36.54%, as compared to the corresponding period of the previous year. During the Reporting Period, the breakdown of the Group's revenue from each product line by therapeutic areas is as follows (by the amount and as a percentage of the total revenue of the Group):

Product line	January-June 2023		January-June 2022		Change (%)
	<i>RMB'000</i> (Unaudited)	(%)	<i>RMB'000</i> (Unaudited)	(%)	
Ophthalmology products	479,149	36.70	354,161	37.04	35.29
Medical aesthetics and wound care products	483,499	37.03	327,057	34.20	47.83
Orthopedics products	231,173	17.70	177,768	18.59	30.04
Anti-adhesion and hemostasis products	90,487	6.93	83,688	8.75	8.12
Other products	21,399	1.64	13,593	1.42	57.43
Total	<u>1,305,707</u>	<u>100.00</u>	<u>956,267</u>	<u>100.00</u>	<u>36.54</u>

During the Reporting Period, the overall gross profit margin of the Group was 70.95%, representing an increase as compared to 69.73% for the corresponding period of the previous year, which was mainly driven by the increase in revenue from HA dermal filler products and the proportion of such revenue in the Group's revenue.

The Group insisted on independent innovation and continued to increase investment in the research and development (the "R&D"). During the Reporting Period, the R&D expenses of the Group amounted to RMB101.39 million, representing an increase of RMB24.68 million, or approximately 32.17%, as compared to the corresponding period of the previous year. The R&D expenses as a percentage of revenue amounted to 7.77% (corresponding period in 2022: 8.02%). Currently, the Group focuses on expanding the innovative products lines of ophthalmology and medical aesthetics. During the Reporting Period, in addition to the Group's innovative casting molded hydrophobic aspheric IOL which was approved for registration and listing in the PRC in June 2023, the clinical trials of a number of key R&D projects, such as hydrophilic aspheric multifocal IOL, hydrophobic molded aspheric trifocal IOL, aqueous humor permeable Posterior Chamber-Posterior Chamber-Phakic Refractive Lens ("PRL"), etc., have been successfully conducted. The Group's fourth-generation organic cross-linked HA dermal fillers are in the process of registration and application.

During the Reporting Period, the Group's net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after deducting non-recurring gains or losses were RMB205.24 million and RMB187.79 million, respectively, representing increases of 188.94% and 253.05% as compared to the corresponding period of the previous year, which were mainly attributable to the growth in gross profit brought about by the growth in revenues. In addition to the above-mentioned factors, the increases were mainly because:

- 1) During the corresponding period in 2022, Aaren Scientific Inc. ("Aaren", a subsidiary of the Company in the USA) showed signs of impairment due to the need to reorganize its business, and the Company accordingly recorded an asset impairment loss of approximately RMB25.00 million on the goodwill and intangible assets of Aaren business, whereas the Group did not have such impairment loss during the Reporting Period.
- 2) The production operations of the Company and its subsidiaries located in Shanghai were suspended during the period from March to May 2022, which resulted in business stagnation of the Group, incurring a loss of approximately RMB37.00 million for the corresponding period in 2022, whereas the Group did not have such loss during the Reporting Period.

The above factors together resulted in a substantial increase in net profit attributable to shareholders of the Company for the Reporting Period as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the total assets of the Group were RMB7,254.17 million, and the net assets of the Group attributable to shareholders of the Company were RMB5,709.62 million, representing increases of approximately RMB361.77 million and RMB195.01 million respectively as compared to those at the end of 2022.

(II) Management Discussion and Analysis by Product Line

Ophthalmology Products

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

The Group is the largest ophthalmic viscoelastic device ("OVD") product manufacturer in the PRC. According to the research reports of Guangzhou Biaodian Medical Information Co., Ltd. ("Biaodian Medical"), the market share of the Group's OVD products decreased from 50.83% in 2021 to 44.52% in 2022, ranking first in the PRC for the past 16 consecutive years despite the stagnation of production and shipment of the Company in Shanghai from March to May 2022. Meanwhile, the Group is a major supplier in the domestic IOL market. Contamac Holdings Limited ("Contamac"), a subsidiary of the Company, is one of the world's largest independent manufacturers of ophthalmic materials providing ophthalmic materials such as materials for IOL and Orthokeratology Lenses to customers in more than 70 countries worldwide.

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB479.15 million, representing an increase of RMB124.99 million, or approximately 35.29%, as compared to the corresponding period of the previous year. The breakdown of revenue from ophthalmology products by specific products is as follows:

Item	January-June 2023		January-June 2022		Change (%)
	<i>RMB'000</i> (Unaudited)	(%)	<i>RMB'000</i> (Unaudited)	(%)	
Cataract product line	258,886	19.83	166,425	17.41	55.56
IOL products	202,924	15.54	128,016	13.39	58.51
OVD products	55,962	4.29	38,409	4.02	45.70
Myopia prevention and control, and refractive correction product line	205,480	15.74	176,188	18.42	16.63
Ophthalmology and optometry materials	110,064	8.43	77,218	8.07	42.54
Ophthalmology and optometry end products	95,416	7.31	98,970	10.35	-3.59
Other ophthalmology products	14,783	1.13	11,547	1.21	28.01
Total	<u>479,149</u>	<u>36.70</u>	<u>354,161</u>	<u>37.04</u>	<u>35.29</u>

IOL and OVD products are mainly used for cataract surgery. During the Reporting Period, the revenue of the Group from the cataract product line amounted to approximately RMB258.89 million, representing an increase of RMB92.46 million or 55.56% as compared to the corresponding period of the previous year. Specifically, the revenue from IOL products was approximately RMB202.92 million, representing an increase of RMB74.91 million or 58.51% as compared to the corresponding period of the previous year. Such increase in revenue was mainly benefited from the rapid recovery of the volume of cataract surgeries across the country during the Reporting Period. Meanwhile, the Group's IOL product series maintained a stable pricing system after going through the past two rounds of centralized provincial volume-based procurement. By leveraging its advantages in multi-brand full product lines, channels and costs, the Group consolidated and further increased the market shares of its IOL products in the bidding areas. During the Reporting Period, the sales volume of IOL products independently produced by Henan Universe, a subsidiary of the Company, and the sales volume of IOL products supplied by Lenstec (Barbados), Inc., with NIMO acting as the agent, increased significantly compared with the corresponding period of the previous year. Specifically, the sales volume of SBL-3, a high-end regional refractive bifocal IOL product, increased by 169% compared with the corresponding period of the previous year, which drove the revenue growth of the Group's IOL product line vigorously. During the Reporting Period, the Group's revenue from the sales of OVD products was approximately RMB55.96 million, representing an increase of RMB17.55 million, or 45.70%, as compared with the corresponding period of the previous year, posting the best interim sales record in the history of the Group.

During the Reporting Period, the revenue of the Group from the myopia prevention and control, and refractive correction product line amounted to approximately RMB205.48 million, representing an increase of RMB29.29 million or 16.63% as compared to the corresponding period of the previous year. The revenue from the ophthalmology and optometry materials business in the upstream part of the supply chain was approximately RMB110.06 million during the Reporting Period, representing an increase of RMB32.85 million or 42.54% as compared to the corresponding period of the previous year. The business (operated by Contamac, a UK subsidiary of the Company) mainly benefited from the resumption of production and operation around the globe and the continuous expansion of international markets including the USA for products including gas permeable materials. Ophthalmology and optometry end products cover Orthokeratology Lenses and eye drops used in the process of fitting and wearing them, specialty frame glasses, “Yijing” PRL and other products. During the Reporting Period, the revenue of the Group from the ophthalmology and optometry end products amounted to approximately RMB95.42 million, representing a slight decrease of RMB3.55 million or 3.59% as compared to the corresponding period of the previous year. Such decrease was mainly attributable to the fact that the Company disposed of 60% equity interest in Hebei Xinshikang Contact Lens Co., Ltd. (河北鑫視康隱形眼鏡有限公司, “**Hebei XSK**”), a non-wholly-owned subsidiary of the Group, on July 1, 2022, and no longer included Hebei XSK in the scope of consolidation. Hebei XSK achieved a revenue of RMB13.51 million in the corresponding period of the previous year. Excluding Hebei XSK, during the Reporting Period, the revenue of the Group from the ophthalmology and optometry end products increased by 11.31% as compared to the corresponding period of the previous year, which was mainly benefited from the growth in Orthokeratology Lens.

Other ophthalmology products of the Group mainly include injectors, scalpels, suture needles and other products used in various ophthalmic operations. During the Reporting Period, the Group’s other ophthalmology products recorded a revenue of RMB14.78 million, representing an increase of 28.01% as compared to the corresponding period of the previous year, which also benefited from the rapid recovery of the volume of cataract surgeries in the PRC.

Cataract is the biggest cause of blindness in the PRC. The only effective treatment for cataract is IOL implantation through surgery. In terms of industrial chain construction, the Group currently has initially completed the layout of the entire industrial chain of IOL products. We have opened up the upstream raw material production link of the IOL industrial chain through Contamac, mastered the R&D and production process of hydrophilic and hydrophobic IOL products through Aaren, Henan Universe, and Henan Simedice Biotechnologies Co. Ltd. and strengthened the downstream sales channels of IOL products through the professional ophthalmology high-value consumables marketing platform of our subsidiary NIMO at the same time. In terms of the layout of product lines, leveraging on its domestic and foreign brands, the Group has covered a full range of products from ordinary spherical monofocal IOL to multifocal IOL. In addition, leveraging on the support of the National Key R&D Programs under the “13th Five-Year Plan”, the Group creates synergy among the ophthalmology R&D innovation platforms of the Group in the PRC, the USA and the U.K.. The Group has promoted the R&D activities for high-end toric and multifocal IOL

products. The Group adopts the one-time injection molding process that is different from the traditional turning and milling process, thus achieving a comprehensive layout of high-end IOL materials, complex optical features, and innovative processing technology. Among them:

- 1) the innovative casting molded hydrophobic aspheric IOL product has been approved for registration and marketing in the PRC since June 2023;
- 2) the hydrophobic molded toric aspheric IOL product has started clinical trials since July 2021 in the PRC;
- 3) the hydrophilic aspheric multifocal IOL has started clinical trials since November 2022 in the PRC; and
- 4) the innovative hydrophobic molded aspheric trifocal IOL received ethical approval for clinical trials in July 2023 and initiated clinical trials.

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

In the field of myopia prevention and control and management, the Group's self-developed "Optoshare" (童享) series of new Orthokeratology Lens products, which leveraged its self-developed optical design system and Contamac's world-leading gas permeable material, was approved for registration and marketing in December 2022 in the PRC. Meanwhile, the Company, respectively through Shanghai Hengtai Vision Technology Co., Ltd. ("**Hengtai Vision**") and Xiamen Nanpeng Optical Company Limited ("**Nanpeng Optics**"), which are subsidiaries of the Company, has the right to exclusively distribute "Maierkang myOK", a high-end Orthokeratology Lens product, "Hiline", an Orthokeratology Lens product, "Bestivue", a peripheral defocus lens, and rigid gas permeable contact lens of Hengtai Optics Co., Ltd. ("**Hengtai Optics**") in Mainland China. With more than 40 years of professional experience in the field of corneal contact lenses, Hengtai Optics has deep technical precipitation and a complete layout of intellectual property rights in mainland China and the global market. The "myOK" Orthokeratology Lens product owns the highest oxygen permeability with 141 DK in the PRC and has 7 Chinese patents. "Hiline" Orthokeratology Lens products have been sold in the Chinese market for more than 10 years, with a high reputation in the industry and brand reputation. The Group entered into an in-depth cooperation with Hengtai Optics and obtained the exclusive distribution rights of all products registered by Hengtai Optics in Mainland China, providing a wider choice of optometric products for different consumer segments and expanding the market share and influence of the Group's Orthokeratology Lens products.

In addition, the Group's self-developed eye drops product "Eyesucom" is made of exclusive patented ingredients including medical chitosan and sodium hyaluronate, and is packaged in an aseptic packaging method without preservatives. The product has the functions of natural antibacterial, moisturizing and lubricating, promoting the repair of corneal epithelial damage and reducing staining, etc. It can comprehensively protect the eye surface health of the wearers of Orthokeratology Lenses.

In the field of refractive correction, the Group's subsidiary Hangzhou Aijinglun is mainly engaged in the R&D, production and sales of crystalline refractive lenses, and has independent intellectual property rights of its own developed "Yijing" PRL product, which has a refractive correction range of -10.00D ~ -30.00D and has been approved by the National Medical Products Administration of the PRC ("NMPA"). Refractive lens surgery with crystalline lens can correct myopia without cutting normal corneal tissues and has the advantages of preserving the adjustment function of the human lens and surgical reversibility, so it is a safe and effective method to correct myopia. Currently, there are only two such products approved for sale in the Chinese market, and "Yijing" PRL product is the only domestic product and the only choice for patients with severe myopia above 1,800 degrees, and therefore the product is highly scarce. In addition, the Group began the process of upgrading its PRL products after the acquisition of the Hangzhou Aijinglun. Compared with the previous generation of products, the second generation of the aqueous humor permeable PRL product will enable aqueous humor circulation and provide a wider range of vision correction. It is currently undergoing clinical trials in the PRC.

Through the above products layout, the Group has been able to provide a variety of myopia solutions from prevention and control to correction for all age groups.

Medical Aesthetics and Wound Care Products

In the field of medical aesthetics and wound care, the Group has formed a business matrix covering four categories, namely hyaluronic acid ("HA") dermal filler, genetic-engineering preparations for epidermal repair, radio frequency devices and laser equipment. Through the multi-level business arrangements, the Group connected three major application scenarios, and was able to meet the comprehensive demand of end customers for medical aesthetics in relation to epidermis, dermis and subcutaneous tissue.

The Group's human epidermal growth factor ("hEGF") for external use, "Healin", developed and produced by genetic engineering technology, is the only epidermal growth factor product in the PRC that has exactly the same quantity, sequence and spatial structure of amino acids as human natural epidermal growth factor and the first registered hEGF product in the world. According to the research reports of Biaodian Medical, the market share of "Healin" products in 2022 continued to rise to 27.01% from 25.95% in 2021, continuing to narrow the gap with the top-selling brand in the market.

The Group has independently developed and mastered the cross-linking processes such as monophasic cross-linking, low-temperature secondary cross-linking, linear non-particle cross-linking, and organic cross-linking. The Group’s first-generation HA dermal filler “Matrifill” is the first mono-phase sodium hyaluronate gel for injection approved by the NMPA in the PRC. It is mainly positioned as a popular entry-level HA. The Group’s second-generation HA dermal filler “Janlane” is mainly positioned at the mid-to-high end, and mainly features the dynamic filling function. The third-generation HA dermal filler “Hyalumatrix” has the linear non-particle feature and is positioned for high-end consumers by providing the “precise embellishment” function. The Group’s HA Dermal Filler product portfolio has been widely recognized in the market and has become a leading brand of domestic HA dermal filler products for injection.

In February 2023, the Group’s second-generation HA dermal filler “Janlane” completed the registration change, and in addition to the original indication of “injection in the middle to deep layers of the facial dermis to correct moderate and severe nasolabial fold wrinkles”, a new indication of “subcutaneous (or submucosal) injection for lip vermilion and vermilion border to fill the lips to increase lip tissue volume” was added to further expand its clinical application scenarios.

In addition, the Group’s fourth-generation organic cross-linked HA dermal filler has completed clinical trials and has entered the registration and application stage in the PRC. This product uses natural products as cross-linking agents, and the degradation products are essential amino acids that cannot be synthesized by the human body. Compared with traditional chemical cross-linking agents, it has better long-term safety.

During the Reporting Period, the revenue of the Group from medical aesthetics and wound care products was approximately RMB483.50 million, representing an increase of RMB156.44 million, or 47.83%, as compared to the corresponding period in 2022. The breakdown of the revenue from the main business by specific products is as follows:

Item	January-June 2023		January-June 2022		% Change (%)
	<i>RMB'000</i> (Unaudited)	%	<i>RMB'000</i> (Unaudited)	%	
HA Dermal Filler	255,235	19.55	118,798	12.43	114.85
hEGF	74,919	5.74	65,167	6.81	14.96
Radio frequency devices and laser equipment	153,345	11.74	143,092	14.96	7.17
Total	<u>483,499</u>	<u>37.03</u>	<u>327,057</u>	<u>34.20</u>	<u>47.83</u>

Driven by the “beauty value economy”, there has been growing knowledge and awareness the pursuit of beauty, health and self-confidence by consumers of different ages and genders in the PRC, which led to an increasing demand for medical aesthetics. The continuous advancement of products and technologies and the expansion of the indications of existing products have brought about an increasingly abundant portfolio, while the steady growth of per capita disposable income in the PRC has laid a solid foundation for medical aesthetics consumption. Micro-plastic surgery defines the medical aesthetics industry with its characteristics such as minimal invasiveness, quick results, rapid recovery and good value for money. At present, the PRC has become the world’s second-largest medical aesthetics market. Data shows that from 2017 to 2021, the market size of the PRC’s medical aesthetics grew from RMB99.3 billion to RMB189.2 billion, representing a compounded annual growth rate of 17.5%. It is expected that the size of the medical aesthetics market in the PRC will exceed RMB200 billion in 2023. However, compared with other major countries with developed medical aesthetics industries, the penetration rate of the PRC’s medical aesthetics market will continue to increase in the next few years.

Leveraging on its competitive R&D efforts in biomedical materials, manufacturing and marketing platforms and comprehensive strengths in the technology and quality control of products, the Group’s products, based on their characteristics and efficacy, have established the differentiated positioning and supplementary development, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. Meanwhile, the marketing team of the Group strived to enhance the consumer experience through multidimensional services for medical institutions, practitioners and consumers, and to build brand attributes and dominate the lifestyle of consumer groups so as to improve the adhesiveness among the brands, medical institutions and consumers. During the Reporting Period, the revenue of the Group from HA dermal filler products was approximately RMB255.24 million, representing an increase of RMB136.44 million or 114.85%, as compared to the corresponding period in 2022. The third-generation HA dermal filler “Hyalumatrix” produced by the Group won the market’s recognition for its high-end HA dermal filler due to its non-particle and high cohesion features, making it less susceptible to deformation and displacement after injection and giving it a more natural and longer-lasting effect. Through the Group’s precise launch to quality medical aesthetic institutions in phases, the product has entered an upward path of rapid volume release. During the Reporting Period, the sales revenue from the HA dermal filler “Hyalumatrix” was more than RMB115 million, representing an increase of 377.37%, as compared to the corresponding period in 2022.

During the Reporting Period, the revenue of the Group from hEGF products was approximately RMB74.92 million, representing an increase of RMB9.75 million or 14.96%, as compared to the corresponding period in 2022. The increase in the revenue of hEGF products was due to the fact that the Group strengthened the academic promotion of this product, practitioners’ awareness of product efficacy has been continuously strengthened, and the application of the product has been extended from traditional departments such as burns and dermatology to pediatrics, oncology, stomatology, general surgery, obstetrics and gynecology, endocrinology, gastroenterology and other departments.

During the Reporting Period, the revenue of the Group from the radio frequency and laser equipment product line was approximately RMB153.35 million, representing an increase of RMB10.25 million or 7.17%, as compared to the corresponding period in 2022. The revenue was mainly generated by Juva Medical (a subsidiary of the Company) and its subsidiaries. EndyMed Ltd., an Israeli-listed subsidiary of Juva Medical, focuses on radiofrequency beauty equipment. Sanhe Laserconn, a subsidiary of Juva Medical, focuses on laser beauty equipment and has its products mainly exported to overseas markets. The Company entered into the Equity Transfer Agreement with the minority interest shareholders of Juva Medical on 31 July 2023, to continue to acquire the remaining 36.3636% equity interest in Juva Medical at a total consideration of RMB152,727,000, upon completion of which Juva Medical will become a wholly-owned subsidiary of the Company. According to the 2002 Report on the Consumption Trend of the Photoelectric Medical Aesthetics Industry released by So-Young Data Beauty Institute (新氧數據顏究院), 47.34% of the surveyed users selected photoelectric projects the most among the medical beauty projects in 2022. By acquiring the entire equity interest in Juva Medical, the Group's integration of the radio frequency and laser equipment business will be further accelerated.

Orthopedics Products

During the Reporting Period, the revenue of the Group from orthopedics products was approximately RMB231.17 million, representing an increase of RMB53.41 million, or 30.04%, as compared to the corresponding period in 2022. The breakdown of the revenue from the orthopedics products by specific products is as follows:

Item	January-June 2023		January-June 2022		% Change (%)
	<i>RMB'000</i> (Unaudited)	%	<i>RMB'000</i> (Unaudited)	%	
Sodium hyaluronate injection	150,585	11.53	127,756	13.36	17.87
Medical chitosan used for intra-articular viscosupplement	80,588	6.17	50,012	5.23	61.14
Total	231,173	17.70	177,768	18.59	30.04

In the field of orthopedics, the Group is the largest domestic manufacturer of orthopedic intra-articular viscoelastic supplements. Orthopedic intra-articular viscoelastic supplements are mainly used in degenerative osteoarthritis. Degenerative osteoarthritis is also a common disease in the senior population. According to statistics, the incidence of osteoarthritis in men over the age of 65 is 58%, and that in women is 65% to 67%; the incidence of people over the age of 75 is as high as 80%. At present, there are more than 100 million osteoarthritis patients in China. The Group is the only manufacturer having sodium hyaluronate injection products with full series of specifications of 2mL, 2.5mL and 3mL in the PRC market. Meanwhile, the water-soluble chitosan technology used in the Group's medical chitosan product (for intra-articular viscosupplement) is the exclusive patented technology of the Group, making the product the only intra-articular viscoelastic supplement registered as a Class III medical device in the PRC. With the above differentiated competitive advantages, sales of medical chitosan used for intra-articular viscosupplement jumped rapidly during the Reporting Period, with the revenue increasing by 61.14% as compared to the corresponding period in 2022.

The Group's medical chitosan product (for intra-articular viscosupplement) and sodium hyaluronate injection product have formed unique therapeutic effects and synergic advantages. With a good pricing system, the product portfolio continued to expand its market share. According to the research reports of Biaodian Medical, in 2022, the Group has been ranked the largest manufacturer of orthopedic intra-articular viscoelastic supplements in the PRC for nine consecutive years, with a market share of 46.54% (2021: 45.49%).

Anti-adhesion and Hemostasis Products

According to the research report of Biaodian Medical, the Group was the largest supplier of anti-adhesion materials in the PRC, with the share of the anti-adhesion materials market reaching 29.90% in 2022. During the Reporting Period, the Group's anti-adhesion and hemostasis products recorded a revenue of RMB90.49 million, representing an increase of approximately RMB6.80 million or 8.12%, as compared to the corresponding period in 2022. Subject to policies on the expenses and quantity control of high-value medical consumables, this product line has been developing slowly, of which medical chitosan products with a higher unit price are particularly affected. The breakdown of the revenue from the anti-adhesion and hemostasis products by specific products is as follows:

Item	January-June 2023		January-June 2022		Change (%)
	<i>RMB'000</i> (Unaudited)	%	<i>RMB'000</i> (Unaudited)	%	
Medical chitosan used for anti-adhesion	34,850	2.67	35,470	3.71	-1.75
Medical sodium hyaluronate gel	44,860	3.44	40,036	4.19	12.05
Collagen sponge	10,777	0.82	8,182	0.85	31.72
Total	<u>90,487</u>	<u>6.93</u>	<u>83,688</u>	<u>8.75</u>	<u>8.12</u>

(III) Development Strategy

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

(IV) Business Plan

In the second half of 2023, the Group will continue to deeply promote the deployment of internal resources of the Group, and further strengthen the integration of merged and acquired enterprises in all aspects of R&D, production, sales and services, enabling merged and acquired enterprises to quickly integrate into the Group's management system. This aims to maximize synergy, improve operational efficiency, develop innovative technologies, and expand market space, while continuing to enhance core competitiveness.

In the field of ophthalmology, the Group will focus on changes in the policy environment, particularly the progress in volume-based procurement of IOL in the second half of 2023. By making use of the Group's multi-brand product line advantages, channel advantages and cost advantages, the Group has formulated scientific benchmarking strategies to ensure that its IOL series products can achieve good bidding results. Meanwhile, the Group has adjusted sales strategies in time to respond to the new marketing pattern in the post volume-based procurement era. In the field of innovative product development, the Group will, by utilizing its superior R&D resources in the PRC, the USA, the U.K. and France and by continuing the R&D investment in innovative products, keep promoting the upgrade of product portfolios. In the second half of 2023, the Group will focus on promoting the clinical trials of the hydrophobic molded toric aspheric IOL, the hydrophilic aspheric multifocal IOL, the hydrophobic molded aspheric trifocal IOL, the second generation of the aqueous humor permeable PRL, and other important projects, and researching and developing multifocal toric IOL and other products. In the field of myopia prevention and control, in the second half of 2023, the Group will continue to explore the integrated marketing and brand operation of products such as "Maierkang myOK", "Hiline" and "Optoshare" (童享) and accelerate the market penetration of the Group's Orthokeratology Lens product line, so as to increase the overall market share.

In the field of medical aesthetics and wound care, in the second half of 2023, the Group will take advantage of the efficacy and price positioning of the "Matrifill" and "Janlane" and "Hyalumatrix" series of HA dermal filler products to focus on building the brand image of "Hyalumatrix" high-end HA dermal filler products, strengthen the market promotion of "Janlane" HA dermal filler products for the new indications, assist downstream medical and aesthetic institutions in developing unique injection solutions for the indications, further expand the market penetration, expand the overall market share of the Group's HA dermal filler series products and strengthen the leading position of the Group's domestic HA dermal filler brand for injection through the extensive sales network. Meanwhile, the Group will continue the registration and application of the fourth generation of organic cross-linked HA dermal filler products, and start the pre-launch market warm-up work as planned. The Group will work faster to integrate the advantageous resources of Juva Medical to give full play to the high synergy between the Group and Juva Medical in terms of technology R&D, product layout and marketing.

In the second half of 2023, the Group will continue to use its own funds effectively, explore the fast-growing therapeutic areas such as ophthalmology, medical aesthetics, orthopedics and surgery, actively seek advanced technologies and excellent products and take the opportunity to introduce technologies or invest in cooperation, so as to increase the product reserve and ensure the long-term sustainable development of the Group.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB1,305.71 million (the corresponding period in 2022: approximately RMB956.27 million), representing an increase of approximately RMB349.44 million or approximately 36.54% as compared to the corresponding period in 2022. Due to the suspension of the production and operation of the Company and its subsidiaries in Shanghai during the period from March to May 2022, the Group's revenue in the first half of 2022 has been materially and adversely affected. In the first half of 2023, under the macroeconomic environment that the pharmaceutical end market has been gradually returning to normal, the Company and its subsidiaries carried out normal production and operation, and the operating conditions went up steadily. The sales volume and revenue of each major product line increased significantly as compared with the same period of last year.

During the Reporting Period, the overall gross profit margin of the Group was 70.95%, which increased slightly, as compared with 69.73% in the corresponding period in 2022, mainly due to the good sales performance of HA dermal filler with higher gross profit margin. The proportion of such revenue in the Group's revenue increased from 12% in the same period of 2022 to 20%, which boosts the overall gross profit margin of the Group.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group was approximately RMB420.95 million, representing an increase of approximately RMB107.49 million or approximately 34.29% from approximately RMB313.46 million for the corresponding period of 2022. During the Reporting Period, as the pharmaceutical terminal market gradually returned to normal, the Group actively expanded its marketing and promotion channels to promote the growth of product sales revenue.

R&D Expenses

During the Reporting Period, the R&D expenses of the Group was approximately RMB101.39 million, representing an increase of approximately RMB24.68 million or approximately 32.17% from approximately RMB76.71 million for the corresponding period in 2022. The growth of R&D expenses was primarily due to the continuous increase of R&D investments and the expansion of innovative product lines of ophthalmology and medical aesthetics made by the Group, resulting in an increase in labor costs and clinical trial fees. During the Reporting Period, the Group's R&D expenses accounted for 7.77% of its revenue (the corresponding period in 2022: 8.02%), which remained at a relatively high level.

Other Expenses

During the Reporting Period, the Group's other expenses amounted to approximately RMB10.37 million, representing a decrease of approximately RMB18.62 million or 64.23% from approximately RMB28.99 million for the corresponding period in 2022. The decrease was mainly due to the fact that there were signs of impairment in Aaren (a subsidiary of the Company in the USA) due to business re-integration in the corresponding period in 2022. The Company made provision for asset impairment loss of approximately RMB25.00 million for the goodwill and intangible assets of Aaren business, while no such impairment loss occurred during the Reporting Period. In addition, during the Reporting Period, the exchange rate of US dollar against RMB continued to rise, resulting in an exchange loss of approximately RMB4.31 million incurred by some of the Group's subsidiaries in the PRC in respect of accounts payable denominated in US dollar arising from overseas procurement, as compared to an exchange gain for the corresponding period in 2022, which partially offset the impact of the decrease in impairment losses on assets mentioned above.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB41.11 million (the corresponding period in 2022: approximately RMB23.34 million), which was primarily due to good operation performance of the Company and its major subsidiaries during the Reporting Period, resulting in a significant increase in the overall profit before tax as compared with the corresponding period in 2022.

Results of the Reporting Period

During the Reporting Period, profit attributable to ordinary equity holders of the Company was approximately RMB205.24 million (the corresponding period in 2022: RMB71.03 million), representing an increase of approximately RMB134.21 million or approximately 188.94% as compared to the corresponding period in 2022, which was mainly due to the increase in gross profit brought by the increase in revenue. In addition, in the corresponding period of 2022, there were signs of impairment of Aaren (a subsidiary of the Company in the USA) due to business re-integration. The Company made provision for asset impairment loss of approximately RMB25.00 million for the goodwill and intangible assets of Aaren business, while no such impairment loss occurred during the Reporting Period. The combination of the above factors resulted in a significant increase in profit attributable to ordinary equity holders of the Company during the Reporting Period as compared to the corresponding period in 2022.

Basic earnings per share during the Reporting Period amounted to RMB1.20 (the corresponding period in 2022: RMB0.41).

Liquidity and Capital Resources

As at 30 June 2023, the total current assets of the Group were approximately RMB3,878.57 million, representing an increase of approximately RMB346.45 million or approximately 9.81% as compared to that as at 31 December 2022. In particular, cash and bank balances at the end of the Reporting Period increased by approximately RMB288.12 million as compared to that as at 31 December 2022, which was mainly due to the net cash inflow of approximately RMB283.97 million generated from the Group's operating activities during the Reporting Period.

As at 30 June 2023, the total current liabilities of the Group were approximately RMB657.79 million, representing an increase of approximately RMB146.51 million or approximately 28.66% as compared to that as at 31 December 2022, which was mainly due to the increase in dividends payable of approximately RMB66.91 million as a result of the approval of the dividend distribution plan at the 2022 annual general meeting of the Company in June 2023, and the increase in dividends payable to minority shareholders of approximately RMB11.86 million as a result of the non-payment of dividends by certain non-wholly owned subsidiaries during the Reporting Period. In addition, the Group raised more bank borrowings according to its operational needs, among which, the current portion of bank and other borrowings increased by approximately RMB17.36 million as compared to the end of 2022.

As at 30 June 2023, the Group's current assets to liabilities ratio was approximately 5.90 (31 December 2022: 6.91), representing a slight decrease as compared to that as at the year end of 2022, but it was still at a relatively high and stable level.

Employees and Remuneration Policy

The Group had 2,123 employees as at 30 June 2023. The breakdown of the total number of employees by function was as follows:

Production	810
R&D	341
Sales and Marketing	646
Finance	88
Administration	238
	<hr/>
Total	<u><u>2,123</u></u>

During the Reporting Period, there was no material change to the remuneration policy for its employees, which is based on their working experience, daily performance, the operation situation of the Company and external market competition. During the Reporting Period, the total remuneration of the Group's employees amounted to approximately RMB315.53 million.

To further improve the corporate governance structure of the Company, establish and improve the long-term incentive and constraint mechanism, attract and retain the core management, technical or business backbone, fully mobilize their enthusiasm and creativity, effectively enhance the cohesion of the core team and the competitiveness of the Company, and unite the interests of shareholders, the Company and the core team, so that they will pay attention to the long-term development of the Company and ensure the achievement of the Company's development strategies and business objectives, the Company has implemented the 2021 A Share Restricted Stock Incentive Scheme (the "**Incentive Scheme**"). Pursuant to the Incentive Scheme, 1,440,000 Restricted Shares under the First Grant were granted to 204 participants on 11 March 2022, and 360,000 Restricted Shares under the Reserved Grant were granted to 93 participants on 16 November 2022.

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

Treasury Policies

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

Asset Pledge

As at 30 June 2023, the Group had bank deposits of approximately RMB0.68 million as guarantee deposits for the issuance of performance guarantee. As at 31 December 2022, the Group's bank deposits of approximately RMB0.61 million and RMB1.84 million were pledged as quality guarantee deposits and performance guarantee deposits, respectively.

In addition, as at 31 December 2022, NIMO (a subsidiary of the Company) pledged all of its trade receivables to secure banking facilities of up to RMB65.00 million. During the Reporting Period, such credit facilities expired and the relevant bank borrowings were fully repaid.

Gearing Ratio

As at 30 June 2023, the total liabilities of the Group amounted to approximately RMB1,163.60 million and the gearing ratio (the percentage of total liabilities to total assets) was 16.04%, representing an increase of 1.68 percentage points from 14.36% as at 31 December 2022, which was mainly due to the increase in bank borrowings of the Group during the Reporting Period. In addition, the Company granted a share redemption option to the minority shareholder of Juva Medical, and the fair value of the non-current liabilities related to such share redemption option decreased by approximately RMB67.83 million, which partially offset the effect of the increase in bank borrowings.

Cash and Cash Equivalents

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB651.67 million, representing an increase of approximately RMB92.47 million from that of approximately RMB559.20 million as at 31 December 2022. The increase was mainly attributable to net cash flows generated from operating activities and financing activities of approximately RMB283.97 million and RMB47.62 million, respectively, which were partially offset by net cash flows used in investing activities of approximately RMB255.64 million during the Reporting Period. In addition, due to the continuous appreciation of the exchange rates of USD, GBP and other foreign currencies against RMB during the Reporting Period, the effect of exchange rate changes on cash increased the value of cash and cash equivalents by approximately RMB16.52 million.

Bank Borrowings

As at 30 June 2023, the Company and its subsidiaries Shanghai Qisheng, Shanghai Haohai Medical Technology Development Co., Ltd. and Bioxis had interest-bearing bank borrowings of approximately RMB57.00 million, RMB30.00 million, RMB84.00 million and EUR0.71 million (equivalent to approximately RMB5.61 million) respectively. As at 31 December 2022, the Company and its subsidiaries NIMO and Bioxis had interest-bearing bank borrowings of approximately RMB41.75 million, RMB5.31 million and EUR0.72 million (equivalent to approximately RMB5.35 million) respectively.

Future Plans for Material Investments and Capital Assets

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

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

During the Reporting Period, the Group had no other significant investment, material acquisitions or disposal of subsidiaries, associates or joint ventures.

Risk of Exchange Rate Fluctuations

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 2023, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

Significant Subsequent Event

Please refer to note 13 to the financial statements in this announcement for the details of significant subsequent event of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Details of the H Shares repurchased by the Company during the period of the six months ended 30 June 2023 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate Consideration ⁽¹⁾ (HK\$)
March	114,500	41.50	38.90	4,647,140.00
May	461,400	43.30	39.95	19,289,365.00
Total	<u>575,900</u>			<u>23,936,505.00</u>

Note (1): The aggregate consideration excludes transaction fee.

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

Interim Dividend

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2023.

Corporate Governance Code

The Company has complied with all applicable code provisions under Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Hong Kong Listing Rules**”) throughout the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions as set out in the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors. Following specific enquiries by the Company, all of Directors and Supervisors confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference. As at the date of this report, the Audit Committee comprises five directors, namely Mr. Guo Yongqing (Chairman), Ms. You Jie, Mr. Jiang Zhihong, Mr. Su Zhi and Mr. Zhao Lei. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting procedures, risk management and internal control systems, and the environmental, social and governance work of the Group.

During the Reporting Period, the Audit Committee held meetings on 24 March 2023 and 28 April 2023 respectively to mainly consider the Group’s audited consolidated financial statements for the year ended 31 December 2022 and the unaudited consolidated financial statements for the three months ended 31 March 2023. The Audit Committee held a meeting on 17 August 2023 to review the unaudited consolidated financial statements, interim results and the interim report of the Group for the six months ended 30 June 2023 and agreed with the accounting treatments adopted by the Company.

Publication of Interim Results and Interim Report

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

The 2023 interim report of the Company that contains full information specified in the Hong Kong Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.3healthcare.com).

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

Shanghai, the PRC, 17 August 2023

As at the date of this announcement, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive directors of the Company are Ms. You Jie and Mr. Huang Ming; and the independent non-executive directors of the Company are Mr. Guo Yongqing, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* *For identification purpose only*