

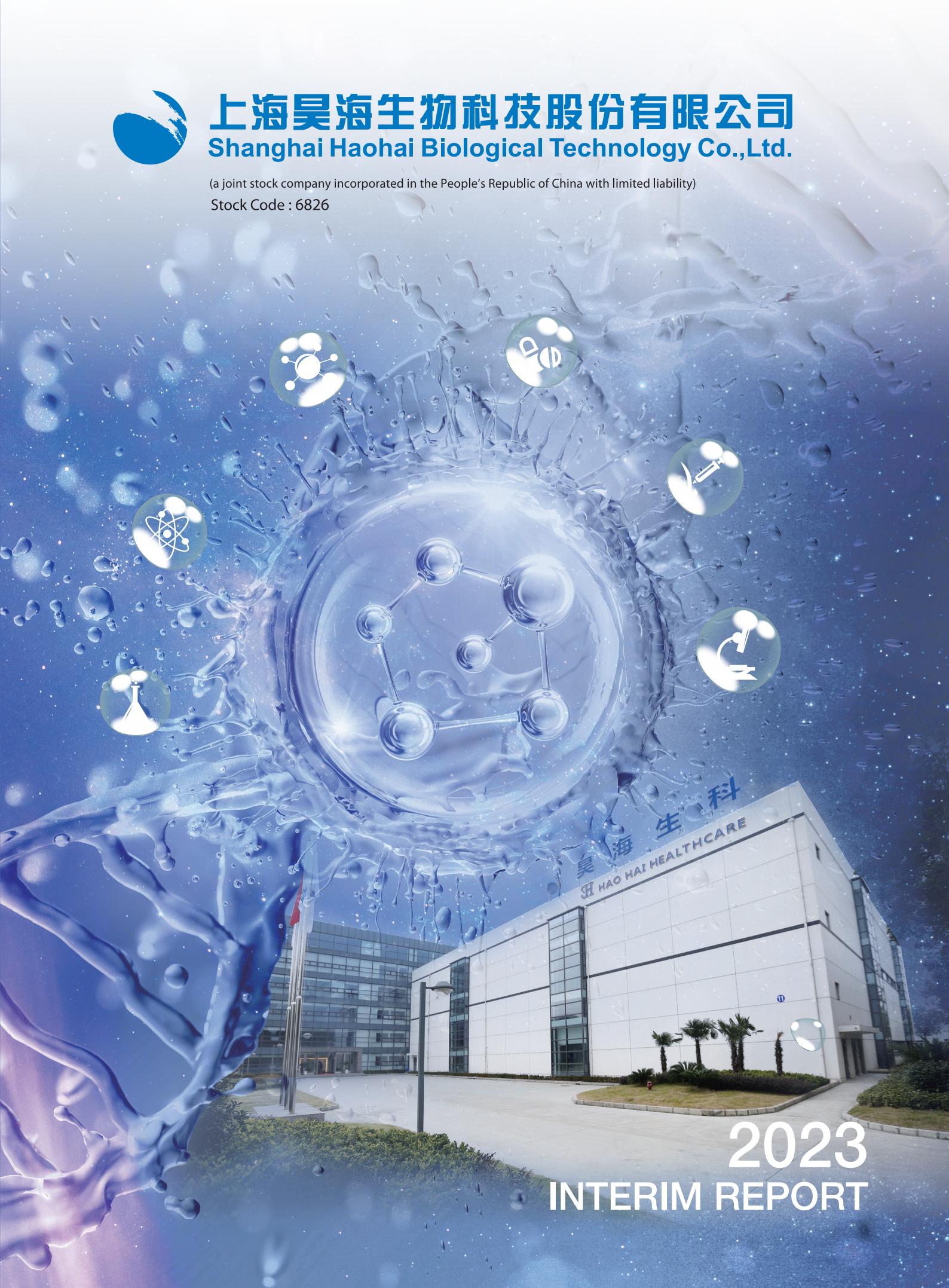


上海昊海生物科技股份有限公司

Shanghai Haohai Biological Technology Co.,Ltd.

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

Stock Code : 6826



2023

INTERIM REPORT



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CORPORATE INFORMATION

FIFTH SESSION OF THE BOARD OF DIRECTORS

Executive Directors:

Dr. Hou Yongtai (*Chairman*)
Mr. Wu Jianying (*General Manager*)
Ms. Chen Yiyi
Mr. Tang Minjie (*Chief Financial Officer*)

Non-executive Directors:

Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:

Mr. Guo Yongqing
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

FIFTH SESSION OF THE SUPERVISORY COMMITTEE

SUPERVISORS

Mr. Liu Yuanzhong
Ms. Yang Qing
Mr. Tang Yuejun
Mr. Wei Changzheng
Ms. Song Xiao

AUTHORIZED REPRESENTATIVES

Mr. Huang Ming
Mr. Chiu Ming King

JOINT COMPANY SECRETARIES

Ms. Tian Min
Mr. Chiu Ming King (*a fellow member of the
Hong Kong Chartered
Governance Institute*)

AUDIT COMMITTEE

Mr. Guo Yongqing (*Chairman*)
Ms. You Jie
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Zhao Lei

REMUNERATION AND REVIEW COMMITTEE

Mr. Su Zhi (*Chairman*)
Mr. Wu Jianying
Mr. Huang Ming
Mr. Guo Yongqing
Mr. Zhao Lei

NOMINATION COMMITTEE

Mr. Zhao Lei (*Chairman*)
Dr. Hou Yongtai
Ms. You Jie
Mr. Guo Yongqing
Mr. Su Zhi

STRATEGY COMMITTEE

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

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CORPORATE INFORMATION

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A SHARE REGISTRATION INSTITUTION

China Securities Depository and
Clearing Corporation Limited Shanghai Branch
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Shanghai, China

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: 32,895,100 H Shares
Nominal value: RMB1.00 per H Share
Stock short name: HAOHAI BIOTEC

INFORMATION ON A SHARES

Place of listing: Sci-tech Innovation Board of the
Shanghai Stock Exchange
Stock code: 688366
Number of
A Shares issued: 138,392,874 A Shares
Nominal value: RMB1.00 per A Share
Stock short name: HAOHAI BIOTEC

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INTERIM RESULTS HIGHLIGHTS

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.

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 (%)
	RMB'000 (Unaudited)	(%)	RMB'000 (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	1,305,707	100.00	956,267	100.00	36.54

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (%)
	RMB'000 (Unaudited)	(%)	RMB'000 (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	479,149	36.70	354,161	37.04	35.29

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 Hengtai Vision and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (%)
	RMB'000 (Unaudited)	%	RMB'000 (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	483,499	37.03	327,057	34.20	47.83

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

MANAGEMENT DISCUSSION AND ANALYSIS

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		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Change (%)
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

MANAGEMENT DISCUSSION AND ANALYSIS

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		
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%	Change (%)
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	90,487	6.93	83,688	8.75	8.12

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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
Total	2,123

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2023, fixed-rate bank borrowings of the Group amounted to approximately RMB35.61 million. 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 report, the Group has no other material investment plans or capital asset plans as at the date of this report.

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.

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		(379,291)	(289,484)
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	(41,110)	(23,337)
PROFIT FOR THE PERIOD		208,687	74,090
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		48,367	(3,868)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		48,367	(3,868)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 JUNE 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,310,758	1,286,396
Right-of-use assets		208,367	222,441
Other intangible assets	10	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	11	655,418	668,412
Deferred tax assets		60,065	59,323
Other non-current assets	12	118,805	89,068
Total non-current assets		3,375,599	3,360,283
CURRENT ASSETS			
Inventories	13	537,882	485,239
Trade and bills receivables	14	398,460	388,275
Prepayments, other receivables and other assets	15	102,241	104,851
Assets classified as held for sale		9,476	9,159
Pledged deposits	16	680	2,877
Cash and bank balances	16	2,829,830	2,541,715
Total current assets		3,878,569	3,532,116
CURRENT LIABILITIES			
Trade payables	17	86,932	54,533
Other payables and accruals	18	487,246	397,710
Interest-bearing bank and other borrowings	19	51,742	34,378
Tax payable		31,869	24,654
Total current liabilities		657,789	511,275
NET CURRENT ASSETS		3,220,780	3,020,841
TOTAL ASSETS LESS CURRENT LIABILITIES		6,596,379	6,381,124

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 JUNE 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	178,809	83,880
Other payables and accruals	18	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	20	171,288	174,130
Treasury shares	20	–	(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

Hou Yongtai
Director

Tang Minjie
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

For the six months ended 30 June 2022

	Attributable to ordinary equity holders of the parent									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium account*	Fair value reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021 and 1 January 2022	175,822	-	3,091,122	61,243	88,923	(13,110)	(264)	2,309,725	5,713,461	346,825	6,060,286
Profit for the period	-	-	-	-	-	-	-	71,030	71,030	3,060	74,090
Other comprehensive income for the period:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(37,446)	-	-	-	-	(37,446)	-	(37,446)
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,922)	-	-	(2,922)	(946)	(3,868)
Total comprehensive income for the period	-	-	-	(37,446)	-	(2,922)	-	71,030	30,662	2,114	32,776
Repurchase of H shares	-	(73,631)	-	-	-	-	-	-	(73,631)	-	(73,631)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	53,123	53,123
Share redemption option granted to non-controlling shareholders of a subsidiary	-	-	(24,018)	-	-	-	-	-	(24,018)	(15,727)	(39,745)
Equity-settled share-based payments of the Company	-	-	8,373	-	-	-	-	-	8,373	-	8,373
Share-based payments granted by a subsidiary	-	-	6,500	-	-	-	-	-	6,500	-	6,500
Dividends declared	-	-	-	-	-	-	-	(121,891)	(121,891)	-	(121,891)
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income	-	-	-	(646)	-	-	-	646	-	-	-
As at 30 June 2022	175,822	(73,631)	3,081,977	23,151	88,923	(16,032)	(264)	2,259,510	5,539,456	386,335	5,925,791

* These reserve accounts comprise the consolidated reserves of approximately RMB5,437,265,000 (unaudited) (31 December 2021: RMB5,537,639,000 (audited)) in the consolidated statement of financial position.

For the six months ended 30 June 2023

	Attributable to ordinary equity holders of the parent									Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium account*	Fair value reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Other reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022 and 1 January 2023	174,130	(74,042)	3,003,117	(47,985)	88,923	1,229	(264)	2,369,501	5,514,609	387,774	5,902,383
Profit for the period	-	-	-	-	-	-	-	205,235	205,235	3,452	208,687
Other comprehensive income for the period:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	(7,491)	-	-	-	-	(7,491)	-	(7,491)
Exchange differences on translation of foreign operations	-	-	-	-	-	38,668	-	-	38,668	9,699	48,367
Total comprehensive income for the period	-	-	-	(7,491)	-	38,668	-	205,235	236,412	13,151	249,563
Issue of shares	593	-	55,316	-	-	-	-	-	55,909	-	55,909
Repurchase of H shares	-	(21,522)	-	-	-	-	-	-	(21,522)	-	(21,522)
Retirement of H shares	(3,435)	95,564	(92,129)	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	(85,070)	-	-	-	-	-	(85,070)	(54,930)	(140,000)
Capital injection of non-controlling shareholders	-	-	-	-	-	-	-	-	-	47,000	47,000
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(13,904)	(13,904)
Share redemption option granted to non-controlling shareholders of a subsidiary	-	-	66,881	-	-	-	-	-	66,881	952	67,833
Share-based payments credited to the owner's equity	-	-	10,913	-	-	-	-	-	10,913	911	11,824
Dividends declared	-	-	-	-	-	-	-	(68,515)	(68,515)	-	(68,515)
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income	-	-	-	(9,719)	-	-	-	9,719	-	-	-
As at 30 June 2023	171,288	-	2,959,028	(65,195)	88,923	39,897	(264)	2,515,940	5,709,617	380,954	6,090,571

* These reserve accounts comprise the consolidated reserves of approximately RMB5,538,329,000 (unaudited) (31 December 2022: RMB5,414,521,000 (audited)) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	325,038	130,067
Income tax paid	(41,067)	(15,303)
Net cash inflows from operating activities	283,971	114,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	38,361	41,704
Interest income received from financial assets at fair value through profit or loss	263	69
Purchases of items of property, plant and equipment	(106,024)	(114,713)
Purchase of right-of-use assets	–	(6,140)
Purchase of other intangible assets	(499)	(674)
Proceeds from disposal of items of property, plant and equipment	609	43
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	14,565	8,360
Proceeds from disposal of financial assets at fair value through profit or loss	46,520	28,960
Payment for acquisition of subsidiaries	–	(2,936)
Payment for liabilities arising from the acquisition of subsidiaries	–	(5,390)
Cash distribution received from a joint venture	–	21,840
Purchases of equity investments designated at fair value through other comprehensive income	(9,000)	(66,373)
Purchase of financial assets at fair value through profit or loss	(46,520)	(28,960)
Increase in time deposits with original maturity of three months or more when acquired	(194,206)	(205,721)
Dividends received from equity investments at fair value through other comprehensive income	290	470
Compensation derived from the relocation of aborted plant	–	5,000
Net cash flows used in investing activities	(255,641)	(324,461)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		(12,217)	(7,337)
Dividends paid to non-controlling shareholders		(2,039)	(5,300)
New bank loans		132,255	23,798
Repayment of bank loans and other borrowings		(9,771)	(28,231)
Proceeds from issue of shares		55,909	–
Repurchase of H shares		(21,522)	(73,631)
Acquisition of non-controlling interests		(140,000)	–
Capital injection from non-controlling interests		47,000	12,000
Interest paid		(1,992)	(861)
Repayment of loan from non-controlling shareholders of a subsidiary		–	(22,376)
Net cash flows from/(used in) financing activities		47,623	(101,938)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		559,197	1,283,893
Effect of foreign exchange rate changes, net		16,515	972
CASH AND CASH EQUIVALENTS AT END OF PERIOD		651,665	973,230
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and pledged deposits as stated in the statement of financial position	16	2,830,510	2,797,467
Time deposits with original maturity of more than three months when acquired	16	(2,178,165)	(1,823,623)
Pledged deposits for bank borrowings	16	(680)	(614)
Cash and cash equivalents as stated in the statement of cash flows		651,665	973,230

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 operated 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

- (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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
	1,305,707	956,267

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

(b) Non-current assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
	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
	2,660,116	2,632,548

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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	1,305,707	956,267
	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(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 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bank interest income	39,110	42,062
Government grants (note)	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
	64,666	76,072

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

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 (note 9)	55,858	55,045
Depreciation of right-of-use assets	12,263	7,569
Amortisation of other intangible assets (note 10)	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)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

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 HNTE 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

6. INCOME TAX (Continued)

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Carrying amount at beginning of the period	1,286,396	1,197,037
Additions	71,419	89,670
Acquisition of subsidiaries	–	1,168
Disposals	(303)	(417)
Depreciation provided during the period	(55,858)	(55,045)
Exchange realignment	9,104	(3,989)
Carrying amount at end of the period	1,310,758	1,228,424

At 30 June 2023 and 31 December 2022, no property, plant and equipment were pledged.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

10. OTHER INTANGIBLE ASSETS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Carrying amount at beginning of the period	620,416	613,397
Additions	499	653
Acquisition of subsidiaries	–	102,165
Amortisation provided during the period	(33,653)	(34,225)
Impairment provision	–	(15,774)
Exchange realignment	18,244	(2,451)
Carrying amount at end of the period	605,506	663,765

11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Union Medical Healthcare Limited	13,798	38,885
Raily Aesthetic Medicine International Holdings Ltd.	6,638	7,012
Aesthetic Medical International Holdings Group Limited	1,897	2,246
	22,333	48,143
Unlisted equity investments		
Shenwu No.1 Investment Product	263,971	268,156
Eirion Therapeutics, Inc.	173,420	167,150
Shanghai Semecell Technology Co., Ltd.	76,129	76,129
Jiangsu Meifengli Medical Technology Co., Ltd.	52,800	52,800
ArcScan, Inc.	40,688	39,218
Genzhishiguang Technology (Shanghai) Co., Ltd	10,000	5,000
Ornovi, Inc.	7,226	6,965
Shanghai Resthetic Biotechnology Co., Ltd.	4,851	4,851
Changzhou Qingma No. 3 Venture Capital Partnership	4,000	–
Recros Medica, Inc.	–	–
	633,085	620,269
	655,418	668,412

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the Reporting Period, the Group disposed of a portion of its investment in Union Medical Healthcare Limited. The fair value on the date of disposal was approximately RMB14,565,000 and the accumulated gain recognised in other comprehensive income of approximately RMB9,719,000 was transferred to retained earnings. During the Reporting Period, the Group received dividends in the amount of RMB290,000 from Union Medical Healthcare Limited.

12. OTHER NON-CURRENT ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments for property, plant and equipment	93,567	63,830
Other non-current assets*	25,238	25,238
	118,805	89,068

* Long-term receivables from the companies controlled by the non-controlling interests of JUVA MEDICAL Group arising before acquisition. The controlling shareholder of the Group, Mr. Jiang Wei, is still proactively taking efforts to collect the receivables and promised to pay off the part which has not been collected back as of 31 December 2024.

13. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Raw materials	152,510	134,479
Work in progress	81,711	80,728
Finished goods	211,050	167,746
Merchandises	108,446	113,296
	553,717	496,249
Less: provision for inventories	15,835	11,010
	537,882	485,239

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

14. TRADE AND BILLS RECEIVABLES

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

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
	398,460	388,275

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	68,464	58,636
Input value added tax to be deducted	18,199	34,054
Deposits and other receivables	17,337	13,323
Compensation derived from the relocation of aborted plant	2,000	2,000
Impairment allowance	(3,759)	(3,162)
	102,241	104,851

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

16. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances and pledged deposits	2,830,510	2,544,592
Time deposits with original maturity of more than three months when acquired	(2,178,165)	(1,982,518)
	652,345	562,074
Less: Pledged time deposits:		
Guarantee deposits	680	2,456
Other pledged deposits	-	421
Cash and cash equivalents	651,665	559,197

17. TRADE PAYABLES

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

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
	86,932	54,533

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

18. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current:		
Payroll and welfare payable	92,710	103,334
Payables related to:		
Government grants received	49,062	50,864
Purchases of property, plant and equipment	17,981	20,680
Deposits received	26,335	31,575
Acquisition of a subsidiary and contingent consideration	3,939	3,711
Others	40,303	31,805
Accrued expenses	99,685	94,465
Contract liabilities – short-term advances received from customers	61,206	32,648
Other taxes payable	15,955	27,428
Dividends payable	66,909	–
Dividends payable to non-controlling shareholders of a subsidiary	13,161	1,200
	487,246	397,710
Non-current:		
Payables for acquisition of a subsidiary as contingent consideration	4,500	4,500

Except for the payables for acquisition of the subsidiaries and contingent consideration, the above current balances were non-interest-bearing and repayable on demand.

EUR500,000 (equivalent to approximately RMB3,939,000) will be paid to the original shareholders of Bioxis Pharmaceuticals (“Bioxis”) provided that the EBITA of Bioxis for the financial year ended on 31 December 2022 is positive.

RMB4,500,000 will be paid to the original shareholders of Hangzhou Aijinglun, provided that Hangzhou Aijinglun obtains the registration certificate from the relevant authorities for certain new products under development within five years from the date of acquisition.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	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
long term other loans:			
– Guaranteed	(1)	1,378	1,486
– Unsecured	(2)	204	219
		51,742	34,378
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
		178,809	83,880
		230,551	118,258
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
		176,610	52,413
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
		53,941	65,845
		230,551	118,258

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 TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

19. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

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

20. 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 (note 1)	592,874	593
Cancellation of repurchased H Shares (note 2)	(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.

21. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any contingent liabilities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

22. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	625,235	589,308

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Reporting Period:

		Six months ended 30 June	
	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<u>Purchases</u>			
Haohai Technology (Changxing) Co., Ltd.	(i)	3,693	1,681
<u>Sales</u>			
Lifeline Medical Devices Private Limited ("Lifeline")	(ii)	2,368	1,090

Notes:

- (i) During the Reporting Period, the Group purchased the production accessories of approximately RMB3,693,000 from Haohai Technology (Changxing) Co., Ltd., a company controlled by the Controlling Shareholders. The Directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the supplier, except that interest was not charged on overdue balances.
- (ii) During the Reporting Period, the Group sold semi buttons of GBP270,000 (approximately RMB2,368,000) to the associate, Lifeline.

(b) Other transactions with related parties:

During the Reporting Period, the Company rented the rooms in Shanghai with a total building area of 329.77 square metres at an annual rental fee of RMB350,000 and the other rooms in Shanghai with the same total building area at an annual rental fee of RMB350,000 from Shanghai Haohai Chemical Company Limited and Ms. You Jie, respectively. The total rental fee amounted to RMB350,000 for the Reporting Period (six months ended 30 June 2022: RMB350,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	2,866	2,835
Pension scheme contributions	605	572
Share-based payments	1,494	1,715
	4,965	5,122

24. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The corporate finance department headed by the chief financial officer (the “CFO”) 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 CFO.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	146,373	43,980	145,871	41,874
Financial liabilities included in other payables and accruals-contingent consideration	4,500	4,500	4,500	4,500

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 2023 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills receivable	–	5,548	–	5,548
Equity investments designated at fair value through other comprehensive income	22,333	263,971	369,114	655,418
	22,333	269,519	369,114	660,966

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2022 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills receivables	–	6,749	–	6,749
Equity investments designated at fair value through other comprehensive income	48,143	268,156	352,113	668,412
	48,143	274,905	352,113	675,161

Liabilities measured at fair value:

As at 30 June 2023 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other non-current liabilities	–	–	152,727	152,727
Financial liabilities included in other payables and accruals-contingent consideration	–	–	4,500	4,500
	–	–	157,227	157,227

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

As at 31 December 2022 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other non-current liabilities	–	–	220,560	220,560
Financial liabilities included in other payables and accruals-contingent consideration	–	–	4,500	4,500
	–	–	225,060	225,060

Liabilities for which fair values are disclosed:

As at 30 June 2023 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	145,871	–	145,871

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

24. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2022 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings (other than lease liabilities)	–	41,874	–	41,874

25. 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.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 17 August 2023.

OTHER INFORMATION

INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2023 were published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.3healthcare.com) on 17 August 2023 for information disclosure.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

SHARE CAPITAL

Share capital of the Company as at 30 June 2023 was as follows:

Nature of Shares	Number of Shares	Approximate percentage of total issued share capital
A Shares	138,392,874	80.795%
H Shares	32,895,100	19.205%

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	575,900			23,936,505.00

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

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

SIGNIFICANT SUBSEQUENT EVENT

Please refer to note 25 to the Interim Condensed Consolidated Financial Statements in this report for the details of significant subsequent event of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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, which were required to be disclosed to the Company and the Hong Kong 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, were as follows. 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 Hong Kong 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 Hong Kong Stock Exchange.

Substantial Shareholders Holding A Shares of the Company

Name	Number of A Shares (shares)	Approximate Percentage of total issued A Shares (%)	Approximate percentage of total issued share capital (%)	Capacity in which interests are held
Jiang Wei ⁽¹⁾	47,520,000 (L)	34.34	27.74	Beneficial owner
	28,800,000 (L)	20.81	16.81	Interest of spouse
	3,400,000 (L)	2.46	1.98	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanxi Corporate Management Limited Company ⁽²⁾	3,400,000 (L)	2.46	1.98	Interest of corporation controlled by the substantial shareholder
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) ⁽²⁾	3,400,000 (L)	2.46	1.98	Beneficial owner

Notes: L denotes long position

- Mr. Jiang Wei directly holds 47,520,000 A Shares in the Company. He is the spouse of Ms. You Jie, the non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 A Shares held by Ms. You Jie in the Company. He holds 3,400,000 A Shares in the Company through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company.
- Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.

OTHER INFORMATION

Substantial Shareholders Holding H Shares of the Company

Name	Number of H Shares (shares)	Approximate Percentage of total issued H Shares (%)	Approximate Percentage of total issued share capital (%)	Capacity in which interests are held
Prudence Investment Management (Hong Kong) Limited	1,969,600 (L)	5.99	1.15	Investment Manager
Morgan Stanley ⁽¹⁾	1,806,183 (L)	5.49	1.05	Interest of corporation controlled by the substantial shareholder
	222 (S)	0.0007	0.0001	Interest of corporation controlled by the substantial shareholder

Notes: L denotes long position; S denotes short position

- Under the SFO, Morgan Stanley was deemed to have interests in long position of 1,806,183 H Shares and short position of 222 H Shares (Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC and Morgan Stanley Capital Services LLC were wholly owned by Morgan Stanley, and were beneficially holding long position of 1,806,183 H Shares and short position of 222 H Shares in aggregate in the Company).
- The above disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Saved as disclosed above, as at 30 June 2023, to the best knowledge of the Directors, there were no other persons who had interests or short positions in the shares or underlying Shares, which were required to be disclosed to the Company and the Hong Kong 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' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, none of the Directors or Supervisors or their respective associates (as defined in the Hong Kong 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.

OTHER INFORMATION

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

As at 30 June 2023, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of Listing Rules were as follows:

Name	Approximate percentage of total issued		Number of A Shares (shares)	Restricted Shares ⁽¹⁾ (shares)	Approximate percentage of total issued		Capacity in which interests are held
	Number of H Shares (shares)	H Shares (%)			A Shares (%)	share capital (%)	
Hou Yongtai			6,006,260 (L)	25,000 (L)	4.36	3.52	Beneficial owner
Wu Jianying			6,033,964 (L)	35,000 (L)	4.39	3.54	Beneficial owner
Chen Yiyi			424,260 (L)	25,000 (L)	0.04	0.03	Beneficial owner
Tang Minjie	7,000 (L)	0.02	24,260 (L)	25,000 (L)	0.32	0.26	Beneficial owner
You Jie ⁽²⁾			28,800,000 (L)		20.81	16.81	Beneficial owner
			50,920,000 (L)		36.79	29.73	Interest of spouse
Huang Ming			2,000,000 (L)		1.45	1.17	Beneficial owner
Liu Yuanzhong			2,000,000 (L)		1.45	1.17	Beneficial owner
Wei Changzheng ⁽³⁾			970 (L)	1,000 (L)	0.001	0.001	Interest of spouse

Notes: L denotes long position

- On 11 March 2022 and 16 November 2022, respectively, the Board has resolved to grant a total of 1,800,000 Restricted Shares in the First Grant and Reserved Grant, pursuant to the Company's 2021 Restricted A Share Incentive Scheme. On 5 May 2023, 592,874 Restricted Shares in the first attribution tranche under the First Grant were vested, and the corresponding Shares were transferred to the relevant participants. Restricted Shares in the second attribution tranche under the First Grant shall only be attributed and transferred after satisfactory with the relevant attribution conditions.
- Ms. You Jie directly holds 28,800,000 A 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 47,520,000 A Shares directly held by Mr. Jiang Wei and 3,400,000 A Shares held through Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) in the Company.
- Under the Company's 2021 Restricted A Share Incentive Scheme, the spouse of Mr. Wei Changzheng, a Supervisor, was granted 2,000 Restricted Shares on 11 March 2022, of which 970 Restricted Shares of the first attribution tranche were vested on 5 May 2023. And therefore Mr. Wei Changzheng is deemed under the SFO to be interested in the 970 A Shares and 1,000 Restricted Shares.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2023, 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 Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

OTHER INFORMATION

2021 RESTRICTED A SHARE INCENTIVE SCHEME

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management personnel, core technical or operational personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the Shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

On 29 December 2021, the Board proposed to adopt the 2021 Restricted A Share Incentive Scheme, which was approved and adopted by its Shareholders at the 2022 extraordinary general meeting, the 2022 first A Shareholders' class meeting and the 2022 first H Shareholders' class meeting held on 7 March 2022.

Under 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.

On 16 November 2022, the Grant Price was to be adjusted from RMB95.00 per share to RMB94.30 per share. The closing price of A Shares immediately before the grant date of the First Grant was RMB92.25 per A Share, and that of the Reserved Grant was RMB81.90 per A Share.

Attribution arrangements of the First Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant until the last trading day within the 24 months following the Grant Date of the First Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant until the last trading day within the 36 months following the Grant Date of the First Grant	50%

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant until the last trading day within the 24 months following the Grant Date of the Reserved Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant until the last trading day within the 36 months following the Grant Date of the Reserved Grant	50%

OTHER INFORMATION

Details of the Restricted Shares under the First Grant of the Incentive Scheme during the Reporting Period are as follows:

Name of Participant(s)	Category of Participant(s)	Date of Grant	Number of Restricted Shares				Granted but Unvested as at 30 June 2023
			Granted but Unvested as at 1 January 2023				
				Granted	Attributed ⁽¹⁾	Lapsed ⁽²⁾	
Dr. Hou Yongtai	Executive Director	11 March 2022	50,000	0	24,260	740	25,000
Mr. Wu Jianying	Executive Director and general manager	11 March 2022	70,000	0	33,964	1,036	35,000
Mr. Tang Minjie	Executive Director	11 March 2022	50,000	0	24,260	740	25,000
Ms. Chen Yiyi	Executive Director	11 March 2022	50,000	0	24,260	740	25,000
Ms. Sheng Ailian	Spouse of a Supervisor	11 March 2022	2,000	0	970	30	1,000
199 employees	Other employee participants	11 March 2022	1,218,000	0	485,160	45,056	687,784
Total			1,440,000	0	592,874	48,342	798,784

Notes:

- The total number of Restricted Shares that can be attributed in the first attribution period under the First Grant is 683,658, of which 592,874 new A Shares have been attributed during the Reporting Period, and the remaining will vest during the first attribution period. During the Reporting Period, the weighted average closing price of the vested shares immediately prior to the vesting date of the Restricted Shares (i.e., 5 May 2023) was RMB108.86 per share.
- 48,342 Restricted Shares granted but yet to be attributed under the First Grant lapsed on 14 April 2023.

Details of the Restricted Shares under the First Grant of the Incentive Scheme during the 12-month period from 1 January 2022 to 31 December 2022 (the “Year 2022”) are as follows:

Name of Participant(s)	Category of Participant(s)	Date of Grant	Number of Restricted Shares				Granted but Unvested as at 31 December 2022
			Granted but Unvested as at 1 January 2022				
				Granted	Attributed	Lapsed	
Dr. Hou Yongtai	Executive Director	11 March 2022	N/A	50,000	0	0	50,000
Mr. Wu Jianying	Executive Director and general manager	11 March 2022	N/A	70,000	0	0	70,000
Mr. Tang Minjie	Executive Director	11 March 2022	N/A	50,000	0	0	50,000
Ms. Chen Yiyi	Executive Director	11 March 2022	N/A	50,000	0	0	50,000
Ms. Sheng Ailian	Spouse of a Supervisor	11 March 2022	N/A	2,000	0	0	2,000
199 employees	Other employee participants	11 March 2022	N/A	1,218,000	0	0	1,218,000
Total			N/A	1,440,000	0	0	1,440,000

OTHER INFORMATION

Details of the Restricted Shares under the Reserved Grant of the Incentive Scheme during the Reporting Period are as follows:

Name of Participant(s)	Category of Participant(s)	Date of Grant	Granted but Unvested as at 1 January 2023	Number of Restricted Shares			Granted but Unvested as at 30 June 2023
				Granted	Attributed	Lapsed	
93 employees	Other employee participants	16 November 2022	360,000	0	0	0	360,000

Details of the Restricted Shares under the Reserved Grant of the Incentive Scheme in the Year 2022 are as follows:

Name of Participant(s)	Category of Participant(s)	Date of Grant	Granted but Unvested as at 1 January 2022	Number of Restricted Shares			Granted but Unvested as at 31 December 2022
				Granted	Attributed	Lapsed	
93 employees	Other employee participants	16 November 2022	N/A	360,000	0	0	360,000

The fair value of the Restricted Shares under the First Grant and the Reserved Grant of the Incentive Scheme on their respective Grant Date is as follows:

Grant Date	Attribution Period	Fair Value (RMB per share)
First Grant (i.e., 11 March 2022)	First tranche	20.33
	Second tranche	26.96
Reserved Grant (i.e., 16 November 2022)	First tranche	13.36
	Second tranche	19.55

For the method of determining the fair value and the accounting standards and policies adopted for the Restricted Shares, and further details of the 2021 Restricted A Share Incentive Scheme are set out in the Company's announcements dated 29 December 2021, 11 March 2022 and 16 November 2022, the circular dated 15 February 2022.

The number of A Shares that may be issued in respect of all schemes of the Company during the Reporting Period was 1,751,658 A Shares (excluding 48,342 Restricted Share that have been lapsed), representing 1.27% of the weighted average number of A Shares in issue for the Reporting Period.

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 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.

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 respectively 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.

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 2022 annual report are set out below:

Name	Details of Change
Mr. Tang Yuejun	elected as an independent director at Hannan Airport Infrastructure Co., Ltd.* (海南機場設施股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600515) in March 2023
Mr. Tang Minjie	appointed as a director of Haohai Healthcare Holdings Co., Limited (“Haohai Holdings”), a wholly-owned subsidiary of the Company, in April 2023
Mr. Wu Jianying	appointed as an executive director of Shanghai Shanghai Haohai Intelligent Manufacturing Optometry Technology Co., Ltd. (上海海昊海智造視光技術有限公司), a wholly-owned subsidiary of the Company, in June 2023
Mr. Zhao Lei	elected as an independent director at Triangle Tyre Co., Ltd.* (三角輪胎股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601163) in June 2023
Ms. Chen Yiyi	appointed as a director of Haohai Holdings in July 2023
Mr. Huang Ming	retired as a director of Haohai Holdings in July 2023

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

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted 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.

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 HONG KONG LISTING RULES

The Company does not have any other disclosure obligations pursuant to Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

By order of the Board
Chairman
Hou Yongtai

Shanghai, the PRC, 17 August 2023

DEFINITIONS

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

“A Share(s)”	ordinary shares in the share capital of the Company with a par value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the SSE and traded in RMB, including among others, ordinary shares issued under the A Share Offering
“A Share Offering”	the Company’s initial public offering of 17.8 million A Shares and listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“Board”	the board of Directors of the Company
“Company” or “Haohai Biological”	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 its H Shares and A shares are listed on the Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the SSE (Stock Code: 688366), respectively
“Contamac Group”	Contamac Holdings Limited and its subsidiaries
“Contamac”	Contamac Holdings limited, a non-wholly-owned subsidiary of the Company in UK
“CSRC”	China Securities Regulatory Commission
“Directors”	directors of the Company
“First Grant”	the grant of 1,440,000 Restricted Shares, representing 80% of the total number of Restricted Shares under the Incentive Scheme on 11 March 2022
“Grant Price”	the price of each Restricted Share to be granted to the participants of the Incentive Scheme, which was adjusted from RMB95.00 per A Share to RMB94.30 per A Share 16 November 2022
“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)
“Hangzhou Aijinglun”	Hangzhou Aijinglun Technology Co., Ltd., (杭州愛晶倫科技有限公司), a non-wholly-owned subsidiary of the Company

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“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 wholly-owned subsidiary of the Company
“Hengtai Vision”	Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), a non-wholly-owned subsidiary of the Company
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“Incentive Scheme” or “2021 Restricted A Share Incentive Scheme”	the Company’s 2021 restricted A Share incentive scheme approved and adopted by its Shareholders at the 2022 general meeting, the 2022 first A Shareholders’ class meeting and the 2022 first H Shareholders’ class meeting held on 7 March 2022
“Juva Medical”	OHMK (TianJin) Medical Technology Co. Ltd. (歐華美科(天津)醫學科技有限公司), a non-wholly-owned subsidiary of the Company
“Nanpeng Optics”	Xiamen Nanpeng Optical Company Limited (廈門南鵬光學有限公司), a non-wholly-owned subsidiary of the Company
“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 non-wholly-owned subsidiary of the Company
“NMPA”	The National Medical Products Administration of the PRC
“PRC”, “China” or “People’s Republic of China”	the People’s Republic of China which, for the purpose of this report only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the 6-month period from 1 January 2023 to 30 June 2023

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“Reserved Grant”	the grant of 360,000 Restricted Shares, representing 20% of the total number of Restricted Shares under the Incentive Scheme on 16 November 2022
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“Shanghai Likangrui”	Shanghai Likangrui Biological Engineering Company Limited (上海利康瑞生物工程有限公司), a non-wholly-owned subsidiary of the Company
“Shanghai Qisheng”	Shanghai Qisheng Biologics Company Limited (上海其勝生物製劑有限公司), a wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	A Shareholder(s) and/or H Shareholder(s)
“SSE”	the Shanghai Stock Exchange
“STAR Market Listing Rules”	the Rules Governing the Listing of Securities on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, as amended from time to time
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“%”	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
“hemostasis”	the arrest of bleeding
“intraocular lens” or “IOL”	an artificial lens implanted 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 National Medical Products Administration 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 National Medical Products Administration as a Class III medical device
“ophthalmic viscoelastic device” or “OVD”	viscoelastic sodium hyaluronate solution used in ophthalmic surgery. It can play the role of cushion to deepen the anterior chamber, 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
“Orthokeratology Lens”	a rigid gas permeable contact lenses for myopia control and vision correction function
“Phakic Refractive Lens” or “PRL”	a precise optical component that is surgically implanted into the eyes to achieve refractive correction
“sodium hyaluronate injection” (玻璃酸鈉注射液)	sodium hyaluronate gel solution used for the intra-articular injection, regulated by National Medical Products Administration as a prescription drug