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

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

(Stock Code: 6826)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

- During the Reporting Period, the Group recorded aggregate revenue of approximately RMB1,344.86 million (2016: approximately RMB851.16 million), representing an increase of RMB493.70 million, or approximately 58.0%, as compared to that in 2016.
- During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB372.42 million (2016: RMB305.05 million), representing an increase of approximately 22.1% as compared to that in 2016. The amortisation charge attributable to ordinary equity holders of the Company on intangible assets from business acquisition of the Group (after tax) was approximately RMB12.50 million (2016: RMB1.41 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB384.92 million (2016: RMB306.46 million), representing an increase of approximately 25.6% as compared to that in 2016.

- The Group continues to maintain its leading position in the industry: the Group's domestic market shares of intra-articular viscosupplement, anti-adhesion products and ophthalmic viscoelastic devices ("**OVD**") products further increased to 35.4%, 50.2% and 41.9% respectively in 2016, well ahead of their market participants; whilst the market share of recombinant human epidermal growth factor products for external use ("**Healin**") continued to expand and reached 16.4%, continuing to rank second in market share.

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

- The Group's self-developed, second generation hyaluronic acids ("**HA**") dermal filler "Janlane" has completed the registration for medical device with the China Food and Drug Administration of the PRC ("**CFDA**") on 8 September 2016 and was duly launched on 24 February 2017.

- During the Reporting Period, the project on "Research & Development of New Intraocular Lens and High-end Ophthalmic Implant Materials" led by the Group was successfully selected in the National Key Research and Development Programs under the "13th Five-Year Plan", which will offer in-depth support to the Group on improving the quality and market competitiveness of domestic IOL products and then realizing its strategic plan related to replacing the imported products.

- As at the date of this announcement, the National Development and Reform Commission released the 2017 (the 24th Batch) Proposed List of National Enterprise Technology Centers, on which the Company has been included as the only bio-medicine enterprise in Shanghai.

- The Board proposed to declare a final dividend of RMB0.50 (inclusive of tax) per share or an aggregate of RMB80,022,650 for the year ended 31 December 2017. The final dividend for the year ended 31 December 2016 was RMB0.50 (inclusive of tax) per share or an aggregate of RMB80,022,650.

The board of directors (the "**Board**") of Shanghai Haohai Biological Technology Co., Ltd.* (the "**Company**" or "**Haohai Biological Technology**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2017 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
REVENUE	4	1,344,856	851,157
Cost of sales		(287,467)	(141,551)
Gross profit		1,057,389	709,606
Other income and gains, net	4	115,830	88,500
Selling and distribution expenses		(414,083)	(287,757)
Administrative expenses		(194,754)	(90,190)
Research and development costs		(76,332)	(47,255)
Other expenses		(21,969)	(7,964)
Finance costs		(2,209)	(216)
Share of profits and losses of:			
A joint venture		(2,358)	—
An associate		107	1,161
PROFIT BEFORE TAX		461,621	365,885
Income tax expense	5	(61,609)	(55,258)
PROFIT FOR THE YEAR		400,012	310,627
Attributable to:			
Ordinary equity holders of the parent		372,415	305,052
Non-controlling interests		27,597	5,575
		400,012	310,627

	Notes	2017 *RMB'000*	2016 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		17,227	(1,587)
Exchange differences on translation of foreign operations		(6,879)	2,634
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		10,348	1,047
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		410,360	311,674
Attributable to:			
Ordinary equity holders of the parent		382,951	306,099
Non-controlling interests		27,409	5,575
		410,360	311,674
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
- For profit for the year	7	2.33	1.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		585,757	474,754
Prepaid land lease payments		40,640	30,888
Other intangible assets	8	449,514	295,406
Goodwill	9	410,144	292,084
Investment in a joint venture		13,778	—
Investment in an associate		3,549	—
Available-for-sale investments		91,453	64,226
Deferred tax assets		17,510	8,813
Other non-current assets		76,984	39,078
Total non-current assets		1,689,329	1,205,249
CURRENT ASSETS			
Inventories		174,914	117,953
Trade and bills receivables	10	333,042	235,153
Prepayments, deposits and other receivables		80,594	124,802
Cash and bank balances		1,797,420	2,010,255
Total current assets		2,385,970	2,488,163
CURRENT LIABILITIES			
Trade payables	11	39,009	19,686
Other payables and accruals		376,431	442,451
Interest-bearing bank borrowings		19,888	26,666
Tax payable		42,428	47,352
Total current liabilities		477,756	536,155
NET CURRENT ASSETS		1,908,214	1,952,008
TOTAL ASSETS LESS CURRENT LIABILITIES		3,597,543	3,157,257

	Notes	2017 *RMB'000*	2016 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		17,596	—
Other payables and accruals		93,241	75,600
Deferred tax liabilities		110,894	83,787
Deferred income		9,107	12,010
Total non-current liabilities		230,838	171,397
NET ASSETS		3,366,705	2,985,860
EQUITY			
Equity attributable to ordinary equity holders of the parent			
Share capital		160,045	160,045
Reserves		3,040,517	2,743,947
		3,200,562	2,903,992
Non-controlling interests		166,143	81,868
Total equity		3,366,705	2,985,860

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was principally engaged in the manufacture and sale of biologicals, medical hyaluronate, ophthalmology products research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

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

Information about subsidiaries

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

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

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
上海利康瑞生物工程有限公司 Shanghai Likangrui Bioengineering Co., Ltd.* ("**Shanghai Likangrui**")	PRC/ Mainland China 3 September 2001	RMB150,000,000	100	—	Research and development of biological engineering and pharmaceutical products and related technology transfer, consultation and services
Haohai Healthcare Holdings Co., Limited. [(1)] ("**Haohai Holdings**")	Hong Kong 17 July 2015	HKD150,437,360	100	—	Investment and trading business
上海昊海醫藥科技發展有限公司 Shanghai Haohai Medical Development Technology Co., Ltd.*[(2)] ("**Haohai Development**")	PRC/ Mainland China 19 February 2016	RMB600,000,000	100	—	Pharmaceutical technology development and investment holding
河南宇宙人工晶狀體研製有限公司 Henan Universe Intraocular Lens Research and Manufacture Co., Ltd.* ("**Henan Universe**")	PRC/ Mainland China 23 April 1991	RMB9,923,200	—	100	Manufacture and sale of intraocular lens and and related products
深圳市新產業眼科新技術有限公司 Shenzhen New Industries Material of Ophthalmology Co., Ltd.* ("**Shenzhen NIMO**")	PRC 27 April 2006	RMB11,000,000	—	60	Sale of ophthalmology product
珠海艾格醫療科技開發有限公司 Eyegood Medical (Zhuhai) Co., Ltd.*[(3)] ("**Zhuhai Eyegood"**)	PRC 24 November 2000	RMB22,639,954	—	100	Manufacture and sale of ophthalmology products
Aaren Laboratories, LLC[(4)] ("**Aaren Laboratories**")	USA 23 May 2016	USD3,000,000	—	100	Manufacture and sale of ophthalmology products

Name	Place and date of incorporation/ registration and place of business	Paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Manufacture and sale of	contact lens and				
Contamac Limited. ("**Contamac Limited**") (5)	U.K. 10 May 1991	USD1,000,000	—	70	Intraocular lens material, machines and accessories
青島華元精細生物製品有限公司 Qingdao Huayuan Fine Biological Product Co., Ltd.* (6) ("**Qingdao Huayuan**")	19 March 2004	RMB39,000,000	—	100	Manufacture and sale of PRC/medical sodium Mainland China hyaluronate biochemical and derivatives

* English translations of names for identification purposes only.

Notes:

(1) During the year, Haohai Holding increased its paid-up capital from HKD123,286,075 to HKD150,437,360.

(2) During the year, Haohai Development increased its paid-up capital from RMB510,000,000 to RMB600,000,000.

(3) During the year, the Group acquired another 2% of equity shares of Zhuhai Eyegood at a cash consideration of RMB1,400,000. The Group holds 100% of equity shares of Zhuhai Eyegood after the acquisition.

(4) During the year, Aaren Laboratories increased its paid-up capital from USD1,000,000 to USD3,000,000.

(5) During the year, the Group acquired a total 70% of equity shares of Contamac Holdings Limited and its subsidiaries Contamac Limited and Contamac US Inc. ("**Contamac Group**") with a cash contribution of GBP24,500,000 (approximately RMB215,563,000).

(6) During the year, the Group acquired a total 100% of equity shares of China Ocean Group Limited and its subsidiaries ("**China Ocean Group**"), including Qingdao Huayuan, Shanghai Pacific Biological Technology Co., Ltd. and Shanghai Pacific Pharmaceutical Co., Ltd., with a cash contribution of RMB41,000,000.

2.1 BASIS OF PRESENTATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting

surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to standards has had a significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]

IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 No mandatory effective date yet determined but available for adoption.

Further information about those IFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time fo applying the standards.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9.

The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

Classification and measurement

The Group currently classifies its financial assets into loans and receivables (cash and bank balances, trade and bills receivables and etc.) which are measured at amortised cost, available-for-sale financial investments on listed equity investments which are measured at fair value and available-for-sale financial investments on unlisted equity investments which are measured at cost less impairment. The Group's debt instruments are currently classified as measured at amortised cost and at fair value through profit or loss which meet the conditions for classification at amortised cost under IFRS 9. The available-for-sale investment of RMB10,000,000 was the equity investment on an unlisted fund company in the PRC, which will be reclassified as a financial asset at fair value through other comprehensive income.

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less

accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB35,038,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Geographical information

(a) Revenue from external customers

	2017	**2016**
	RMB'000	*RMB'000*
Mainland China	1,223,568	849,232
USA	85,604	1,774
U.K.	5,379	—
Other countries	30,305	151
	1,344,856	851,157

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

(b) Non-current assets

	2017	**2016**
	RMB'000	*RMB'000*
Mainland China	1,192,985	1,022,431
USA	90,389	109,780
U.K.	296,301	—
Hong Kong	691	—
	1,580,366	1,132,211

The non-current asset information of continuing operations above is based on the locations of the assets and excludes available-for-sale investment and deferred tax assets.

Information about major customers

No revenue from a single customer contributed to 5% or more of the Group's revenue during the reporting period.

4. REVENUE AND OTHER INCOME AND GAINS

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

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

	Note	2017 *RMB'000*	2016 *RMB'000*
Revenue			
Sale of goods		1,344,856	851,157
Other income and gains			
Government grants	i)	43,297	25,643
Dividend income from available-for-sale investments		4,904	—
Exchange gains		—	1,855
Gain on disposal of a partly-owned subsidiary		2,484	—
Others		5,662	2,559
		115,830	88,500

Note:

i) Various government grants have been received from local government authorities in various regions in the PRC, for setting up research activities. The government grants released have been recorded in other income and gains. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these government grants.

5. INCOME TAX

The Company and its principal subsidiaries, except for Haohai Holdings, Aaren Laboratories, Aren Scientific Inc., Contamac Group, Haohai Healthcare Holdings (BVI) Co., Ltd. and China Ocean are registered in the PRC and only have operations in the mainland China. They are subject to PRC corporate income tax ("**CIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

In 2017, the Company and its subsidiaries, Shanghai Qisheng, Shanghai Jianhua and Henan Universe were accredited as high and new-tech enterprises (the "**HNTE Status**") respectively, effective for the three years from 2017 to 2019 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2017 to 2019 for the Company, Shanghai Qisheng, Shanghai Jianhua and Henan Universe. HNTE Status, effective for the three years from 2015 to 2017 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2015 to 2017.

The applicable tax rate for the other subsidiaries registered in the Mainland China was 25% during the year.

The profits tax for subsidiaries in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

The profits tax for subsidiaries in the USA has been provided at the rate of 34% on the estimated assessable profits arising in the USA during the year.

The profits tax for subsidiaries in the U.K. has been provided at the rate of 20% on the estimated assessable profits arising in the U.K. during the year.

	2017	2016
	RMB'000	*RMB'000*
Current		
Charge for the year	74,878	56,251
Underprovision in prior years	856	407
Deferred	(14,125)	(1,400)
Total tax charge for the year	61,609	55,258

6. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final — RMB0.50 (2016: RMB0.50) per ordinary share	80,023	80,023

The Directors proposed to declare a final dividend of RMB0.50 (inclusive of tax) per ordinary share (2016: RMB0.50), totally amounting to RMB80,022,650 (2016: RMB80,022,650) for the year ended 31 December 2017. The proposed final dividend for 2017 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 160,045,300 (2016: 160,045,300) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	372,415	305,052
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	160,045,300	160,045,300

8. OTHER INTANGIBLE ASSETS

	Patents	Non-patent technology	Software	Customer relationship	Brand*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
Cost at 1 January 2017, net of accumulated amortisation	2,473	39,524	—	217,903	35,506	295,406
Additions	—	—	421	—	—	421
Acquisition of subsidiaries	—	113,060	27	—	69,538	182,625
Amortisation provided during the year	(759)	(6,548)	—	(16,525)	—	(23,832)
Exchange realignment	—	(2,892)	—	—	(2,214)	(5,106)
At 31 December 2017	1,714	143,144	448	201,378	102,830	449,514
31 December 2017						
Cost	11,588	150,995	591	220,401	102,830	486,405
Accumulated amortisation	(9,874)	(7,851)	(143)	(19,023)	—	(36,891)
Net carrying amount	1,714	143,144	448	201,378	102,830	449,514

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

* The brand amounting to approximately RMB33,444,000 (2016: RMB35,506,000) was acquired from the business combination of the hydrophilic intraocular lenses and PMMA products business from Aaren Scientific Inc., a legal entity registered in the USA, with indefinite useful life ("**Aaren Business**") in 2016, and that amounting to approximately RMB69,386,000 was acquired from the business combination of Contamac Group with indefinite useful life in 2017.

9. GOODWILL

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	292,084	—
Acquisition of subsidiaries	135,287	291,872
Adjustments during the measurement period*	(15,976)	—
Exchange realignment	(1,251)	212
At the end of the year	410,144	292,084

* *The goodwill adjustments during the measurement period were related to the year business combination of NIMO, Zhuhai Eyegood and Aaren Business occured in 2016.*

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

	NIMO	Aaren Business	Zhuhai Eyegood	Contamac Group	China Ocean* Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
Carrying amount of goodwill	249,996	8,981	16,030	68,022	67,115	410,144

	NIMO	Aaren Business	Zhuhai Eyegood	Contamac Group	China Ocean Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
Carrying amount of goodwill	252,308	18,943	20,833	—	—	292,084

* The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of China Ocean Group as disclosed above. However, the valuation was not finalised and hence the initial accounting for the business combination of China Ocean Group was incomplete by the date of this report. Therefore, the goodwill recognised in the Group's 2017 annual financial statements in relation to the acquisition of China Ocean Group were on a provisional basis.

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Bills receivables	3,265	—
Trade receivables	354,870	257,307
Impairment	(25,093)	(22,154)
	333,042	235,153

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 six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2017	**2016**
	RMB'000	*RMB'000*
Within 3 months	232,489	171,333
3 to 6 months	66,047	45,723
6 months to 1 year	26,016	16,001
1 to 2 years	8,026	2,024
2 to 3 years	464	72
	333,042	235,153

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

	2017	**2016**
	RMB'000	*RMB'000*
At 1 January	22,154	4,720
Arising from acquisition of subsidiaries	996	12,643
Impairment losses recognised	2,915	4,791
Amount written off as uncollectible	(671)	—
Disposal of a partly-owned subsidiary	(265)	—
Exchange realignment	(36)	—
	25,093	22,154

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB5,099,000 (2016: RMB10,006,000), mainly from acquired subsidiaries with carrying amounts before provisions of RMB5,099,000 (2016: RMB12,101,000), based on aged analysis. The others are for collectively impaired trade receivables at the end of the reporting period.

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

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

Included in the Group's trade receivables are amounts due from the Group's joint venture and associate of approximately RMB2,060,000 (2016:Nil) and RMB1,696,000 (2016:Nil), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	39,009	19,686

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	35,295	14,180
3 months to 1 year	3,373	2,994
Over 1 year	341	2,512
	39,009	19,686

Included in the Group's trade payables are amounts due from the Group's joint venture and associate of approximately RMB1,320,000 (2016: Nil) and RMB3,000 (2016: Nil), respectively.

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

Business Review and Prospect

2017 marked a significant year for the implementation of the spirit of the National Health and Well-being Convention and the "13th Five-Year Plan" for deepening the reforms of the pharmaceuticals and healthcare system. In 2017, the consecutive introduction of major policies for the pharmaceutical and medical device industry in China since 2015 continued to affect the whole industry, and the reform policies released during the Reporting Period covered almost all of the sub-sectors under the four major sectors including pharmaceuticals, healthcare, medical insurance and circulation, which created severe challenges for the enterprises within the industry, while on the other hand, important develop opportunities also emerged.

During the Reporting Period, the Group offered responses to the reforms. In order to accommodate with the fast-changing tender policy and the highly competitive market environment, the Group made quick and proper adjustments to the selling prices of products, marketing mode, etc. Meanwhile, the Group improved operational efficiency through refined management, enhanced budgeting and operations control. The Group also focused on optimizing its product portfolio and advancing service upgrade so as to secure the steady growth of the Group's entire principal business.

The Group has been taking steady steps to penetrate the ophthalmic high-valued materials industry since 2016 from the market of intraocular lens ("**IOL**") (the core medical device for cataract surgery), by means of acquisition and integration with domestic and foreign targeting enterprises with mature products, high-end technologies and valuable marketing resources. Since 2016, the Group completed a number of acquisitions, including the acquisition of 60% equity interest in Shenzhen NIMO, 100% equity interest in Henan Universe, 100% equity interest in Zhuhai Eyegood and the hydrophilic and PMMA IOL business of Aaren Scientific Inc. ("**Aaren Business**"). Following these acquisitions, the Group completed the acquisition of 70% share capital in Contamac Holdings, a UK IOL, ophthalmic materials and technology supplier, on 2 June 2017, which will help the Group to secure long-term and stable upstream material supply and enhance the research and development of new IOL and other ophthalmic products. So far, the Group's global whole industry chain layout centered on IOL products has been primarily established, which has laid an industry foundation for the long-term growth of the ophthalmic high-valued materials business in the future.

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB1,344.86 million (2016: approximately RMB851.16 million), representing an increase of RMB493.70 million, or approximately 58.0%, as compared to that in 2016. The breakdown of the Group's revenue by therapeutic areas is as follows (by amount and as a percentage of the total revenue of the Group):

	2017		**2016**		**Year-on-year increase or decrease**
	RMB'000	***%***	*RMB'000*	*%*	*%*
Ophthalmology products	**557,002**	**41.4%**	120,068	14.1%	363.9%
Medical aesthetics and wound care products	**306,602**	**22.8%**	225,104	26.4%	36.2%
Orthopedics products	**266,090**	**19.8%**	287,250	33.8%	-7.4%
Anti-adhesion and hemostasis products	**212,083**	**15.8%**	211,094	24.8%	0.5%
Other products	**3,079**	**0.2%**	7,641	0.9%	-59.7%
Total	**1,344,856**	**100%**	851,157	100.0%	58.0%

During the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB372.42 million (2016: RMB305.05 million), representing an increase of approximately 22.1% as compared to that in 2016. The amortisation charge attributable to ordinary equity holders of the Company on intangible assets from business acquisition of the Group (after tax) was approximately RMB12.50 million (2016: RMB1.41 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB384.92 million (2016: RMB306.46 million), representing an increase of approximately 25.6% as compared to that in 2016.

During the Reporting Period, the increase in the profit attributable to ordinary equity holders of the Company was mainly attributable to the initial synergistic effect of the acquisition of ophthalmic high-valued materials business by the Group and the sustained steady growth of its existing business.

During the Reporting Period, the basic earnings per share were RMB2.33 (2016: RMB1.91).

During the Reporting Period, the overall gross profit margin of the Group decreased from 83.4% in 2016 to 78.6%, primarily attributable to the lower overall gross profit margin of the ophthalmic high-valued materials business enterprises acquired by the Group as compared to that of the Group's existing business.

Ophthalmology Products

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

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

	2017		**2016**		**Year-on-year increase or decrease**
	RMB'000	***%***	*RMB'000*	*%*	*%*
Intraocular lens and ophthalmic materials	**449,281**	**33.4%**	39,975	9.0%	1,023.9%
OVD products	**97,990**	**7.3%**	76,632	4.7%	27.9%
Other ophthalmology products	**9,731**	**0.7%**	3,461	0.4%	181.2%
	557,002	**41.4%**	120,068	14.1%	363.9%

During the Reporting Period, the Group's revenue from the sales of ophthalmology products was approximately RMB557.00 million, representing an increase of approximately RMB436.93 million, or 363.9%, from RMB120.07 million in 2016.

Cataract is the number one of blindness-causing diseases in the world. Currently, the only effective treatment for cataract is IOL implantation through cataract surgery. In 2015, the cataract surgery rate ("**CSR**") per million of Europe, the United States, Japan and other developed countries has reached 9,000. In contrast, the CSR of China is only 1,500 in 2015 and only 2,070 in 2016. Although this number represents a

significant increase over the previous year, it is still far below the data of developed countries. According to a calculation based on the 2016 CSR data, the national cataract surgery CSR is only about 2.69 million. On the other hand, according to the statistics of the Chinese Ophthalmological Society, the incidence of illness cataract for those in the 60-89 age group is 80% and those in the age group over 90 is 90% and above. There is still a greater room to improve the cataract surgery operation rate since the market penetration rate of relevant ophthalmic products is relatively low to date. On the other hand, with the constantly deepened degree of aging, continuously improved ophthalmic awareness of the public, and the gradually enhanced healthcare concept and payment ability, the demands in ophthalmology market surges, coupled with sustained investment in public and private medical resources, which jointly promoted the development of ophthalmology industry in the PRC. The management of the Company believes that the ophthalmology market in the PRC boasts vast development potential.

The Group enters into the ophthalmic high-valued materials industry through a series of acquisitions, which enables the ophthalmology business of the Group cover research & development and sales of IOL products and materials, optical materials, OVD and other ophthalmic high-valued materials and related services. Of which, IOL are core materials in cataract surgery, and can create significant synergy effect when integrated with the Group's existing OVD products and Eyesucom (product of lubricant eye drops), which can not only extend the Group's ophthalmology products line but also expand the Group's recognition and influence in cataract surgery market. During the Reporting Period, the Group's revenue from the sales of IOL and ophthalmic materials mainly includes the revenue recorded by its subsidiaries Shenzhen NIMO, Henan Universe, Zhuhai Eyegood and Aaren Laboratories, as well as sales revenue generated by Contamac Holdings for the period since acquired by the Group.

OVD products are the necessary devices for cataract surgery and can be used for other ophthalmic operations. Among the main brands of OVD products in the PRC, the Group's products have prominent competitive advantages such as advanced technology, high quality, high price-performance ratio and diversified specifications and densities. According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the market share of the Group's OVD products was 41.9% in 2016 and accounted over 40% market share for the past ten consecutive years, making the Group the largest OVD product manufacturer in the PRC.

During the Reporting Period, the Group launched the integration of industry chain in ophthalmology sector. The management of the Company believes that the Group is expected to be an important participant and impeller in the rise of ophthalmology industry in the PRC by gaining prominent strengths in technologies, channels, brand and market share in the fast-growing ophthalmic high-valued materials market in the PRC.

Medical Aesthetics and Wound Care Products

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

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

	2017		**2016**		**Year-on-year increase or decrease**
	RMB'000	***%***	*RMB'000*	*%*	*%*
HA Dermal Filler Products	**253,575**	**18.9%**	187,585	22.0%	35.2%
rhEGF "Healin"	**53,027**	**3.9%**	37,519	4.4%	41.3%
	306,602	**22.8%**	225,104	26.4%	36.2%

During the Reporting Period, the Group's revenue from the sales of medical aesthetics and wound care products was RMB306.60 million, representing an increase of approximately RMB81.50 million, or approximately 36.2%, from RMB225.10 million in 2016.

HA Dermal Filler Products

HA dermal filler "Matrifill", a product launched in the market by the Group in 2014, is the first mono-phase sodium hyaluronate gel for injection approved by the CFDA in the PRC. It can, through injection into dermis layer, repair the shape of the skin surface to achieve a satisfactory repair effect. During the Reporting Period, the market share of the Group's "Matrifill" products continued to expand, and had thus become a leading domestic brand of HA dermal filler products in PRC.

The Group's self-developed second generation of HA dermal filler "Janlane" has completed the registration for medical device with CFDA on 8 September 2016 and was duly launched on 24 February 2017. HA dermal filler "Janlane", which adopted low temperature double cross linking technology, is mainly promoted for its dynamic filling function. Based on its characteristics and efficacy, it will have differentiated positioning from and supplementary development with the HA dermal filler "Matrifill" that focuses on shaping, thus leading the trend of combined application of HA dermal filler in the non-invasive medical aesthetic market in the PRC. During the Reporting Period, the Group orderly advanced the initial launch and promotion of HA dermal filler "Matrifill" in the markets at various levels, including to 108 cooperative medical and aesthetic plastic institutions within 21 cities and 4 municipalities in the PRC rapidly.

Moreover, the third generation of HA Dermal Filler Product ("**QST gel**") of the Group is expected to complete the clinical trial phase in 2018. The Group can accordingly sustain its leading market position in research and development as well as manufacturing and sale of products in the medical aesthetic and wound care sector. Such products will form combined effects of serialization and differentiation and meet the increasingly segmental and diversified market needs.

The medical aesthetics market in China is experiencing rapid growth. Along with the growth of social wealth, a new consumption pattern evolves. Under the strong demand and the profit-driven market, the speed of upgrade of medical beauty products and related technology is accelerating. These new products and technology can satisfy consumer demand as well as attract more consumers through increasingly comprehensive product supply, improving clinical efficacy and change of consumption concept of the new generation. Meanwhile, attracted by the relatively high profit margin from medical aesthetics products, more competitors attempted to enter into the market and share the growth of the industry. In 2017, more dermal filler products were launched to the market. As of 31 December 2017, 24 products were approved by the CFDA. However, due to many inconsistent practices in the medical aesthetics industry, the government regulation is getting more stringent. As such, the industry will surely undergo a market selection process under the principle of "survival of the fittest". This poses a higher demand on enterprises in terms of strength in research and development, technology innovation, product quality control and marketing reforms.

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

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

During the Reporting Period, the Group's revenue from the sales of the HA Dermal Filler Products increased to approximately RMB253.58 million from approximately RMB187.59 million in 2016, representing an increase of 35.2%.

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

rhEGF "Healin"

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

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., the Group strengthened its market position as the second largest manufacturer of rhEGF products in China in 2016 whereas the market share of "Healin" products continued to increase from 16.2% in 2015 to 16.4% in 2016.

On 23 February 2017, the Ministry of Human Resources and Social Security officially issued the 2017 NRDL, and upon experts' appraisal, rhEGF "Healin" was reclassified to Class B medical insurance products by lifting the limitation on the

work-related injury insurance products on the 2009 NRDL. Advanced jointly by the favourable policies and the Group's efforts on marketing, the Group's revenue from the sales of "Healin" products rapidly increased to approximately RMB53.03 million for the Reporting Period from approximately RMB37.52 million in 2016, representing an increase of 41.3%.

Orthopedics Products

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

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

	2017		**2016**		**Year-on-year increase or decrease**
	RMB'000	***%***	*RMB'000*	*%*	*%*
Sodium hyaluronate injection	**182,377**	**13.6%**	202,372	23.8%	-9.9%
Medical chitosan "Chitogel"	**83,713**	**6.2%**	84,878	10.0%	-1.4%
	266,090	**19.8%**	287,250	33.8%	-7.4%

According to the research reports of CFDA Southern Medicine Economic Research Institute and Guangzhou Biaodian Medical Information Co., Ltd., we were the largest manufacturer of intra-articular viscosupplement products in China in 2016 for the third consecutive year where our market share increased to 35.4% in 2016 from 34.0% in 2015.

Sodium Hyaluronate Injection

During the Reporting Period, the Group's revenue from the sales of sodium hyaluronate injection product was approximately RMB182.38 million, representing a decrease of approximately RMB19.99 million, or approximately 9.9%, from RMB202.37 million in 2016.

Since 2015, the national policies in respect of adjusting drug purchasing models and drug prices have been issued successively, whereby the provincial and local governments introduced local policies one after another according to the instruction

of the central government. Under further pressure on drug bidding price and the full implementation of double control measures in terms of the level and volume of social medical insurance expenditures, the profit margin of medical and pharmaceutical industry was diminishing. In order to ensure its market share, the Group made proper adjustment to bidding price and selling prices of its products, due to which, the overall revenue from the sales of the sodium hyaluronate injection products decreased during the Reporting Period.

However, in terms of clinical application, the clinical application of sodium hyaluronate injection has been included in the Osteoarthritis Clinical Pathway (2016 version) issued by the National Health and Family Planning Commission, which established the important position of sodium hyaluronate in the treatment of osteoarthritis ("**OA**"). On 14 November 2017, as guided by the Sports Medicine Specialized Committee under the Chinese Association of Orthopedic Surgeons and the Editorial Department of the People's Medical Publishing House, many authoritative orthopedic experts and sports medicine experts in the PRC jointly formulated the 2017 revised version of the Expert Consensus on the Application of Sodium Hyaluronate for Orthopedic and Sports Medicine Related Diseases ("**2017 Consensus**"), the full text of which was published on the Chinese Journal of the Frontiers of Medical Science (Electronic Version). This is another important revision following the first publication of expert consensus in 2012 ("**2012 Consensus**"). By combining the application of 2012 Consensus in orthopedic and sports medicine areas in recent years, and the continual accumulation of evidence-based medical proof and clinical practices, 2017 Consensus provides academic references for the effective and regulated use of sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas.

As a significantly efficacious product extensively used in the world, the sodium hyaluronate injection product can mitigate long-term pains, protect and improve function of joints with mild and low incidence of adverse reactions. Moreover, featuring safety, efficacy, practicality and economical efficiency, sodium hyaluronate injection can reduce the dosage of oral analgesic so as to bring about fewer adverse reactions caused by drugs. Given that such product still has an extremely low penetration rate in the PRC market, the management of the Company believes that, with the increasing popularity and acceptance among patient groups in the PRC, it has a future sales growth potential that cannot be overlooked. As such, the Group upgraded important accessories including PRTC (Plastic Rigid Tip Cap) syringe (魯爾鎖定接頭注射器) and thin-walled needle (薄壁注射針) during the Reporting Period to prominently improve injection experience, which laid a foundation for the long-term and stable growth of the Group's sodium hyaluronate injection product in the future.

In the meantime, our sodium hyaluronate injection product with a new specification of 2.5ml has been approved by the CFDA during the Reporting Period, making the Group the only enterprise having sodium hyaluronate injection products with full series of specifications of 2ml, 2.5ml and 3ml in the PRC market. The management of the Company believes that the approval of the new specification will help the Group to gain new strengths in the intense market competition.

Medical Chitosan "Chitogel"

During the Reporting Period, the Group's revenue from the sales of medical chitosan "Chitogel" products was approximately RMB83.71 million, representing a slight decrease of approximately RMB1.17 million from RMB84.88 million in 2016.

Medical chitosan "Chitogel" product is an exclusive product of the Group, which is the only intra-articular viscosupplement registered as a Class III medical device in the PRC. It can be used to treat degenerative OA and is helpful in minimizing joint pains and improving joint mobility. Medical chitosan has effective antimicrobial and hemostatic functions, a longer in vivo retention time and long-lasting therapeutic effect. The Group's medical chitosan "Chitogel" product is characterized by the Group's exclusive water-soluble technology which significantly reduces the rate of allergy and thus fundamentally tackling the safety concerns in relation to the internal use of the product.

During the Reporting Period, medical chitosan "Chitogel" has been gradually entering some major hospitals in key cities of China. Currently, however, the medical chitosan "Chitogel" product is still in the process of market preparation for being added into the local health insurance and cost catalogue gradually. Coupled with the impact brought by national control measures in terms of the level and volume of social medical insurance expenditures in 2017, the revenue from such product remained flat as compared with that in 2016. The management of the Company believes that, through insisting upon professional promotion and market preparation improvement for medical chitosan "Chitogel" product, the stable quality and significant efficacy of such product will be recognized by an increasing number of doctors and patients, thus presenting significant development opportunity for medical chitosan "Chitogel" product in the future.

Anti-Adhesion and Hemostasis Products

The Group currently manufactures and sells five operative anti-adhesion and hemostasis products, including medical hyaluronate-based and medical chitosan-based anti-adhesion products, as well as medical collagen sponge for

hemostasis and tissue filling. These products are widely used in various surgeries to enable quick hemostasis, shorten the operation time and prevent a wide range of tissue and organ adhesion resulting from trauma and injuries in surgical operations.

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

	2017		**2016**		**Year-on-year increase or decrease**
	RMB'000	***%***	*RMB'000*	*%*	*%*
Medical chitosan	**128,495**	**9.6%**	115,575	13.6%	11.2%
Medical sodium hyaluronate gel	**68,604**	**5.1%**	79,725	9.4%	-13.9%
Medical collagen sponge	**14,984**	**1.1%**	15,794	1.8%	-5.1%
	212,083	**15.8%**	211,094	24.8%	0.5%

During the Reporting Period, the Group's revenue from the sales of anti-adhesion and hemostasis products was approximately RMB212.08 million, which remained flat as compared with that in 2016.

Anti-Adhesion Products

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

In November 2017, nearly 20 authoritative experts jointly formulated the Chinese Expert Consensus on Prevention of Abdominal Adhesion after Abdominal Surgery ("**Expert Consensus**"), the full text of which was published on the Chinese Journal of General Surgery. The Expert Consensus points out that post-operative tissue or visceral organ adhesion is the most common post-operative complication. Adverse reactions caused by abdominal adhesion will heavily burden the patients, doctors and the society. A large number of evidence-based medical proof shows that anti-adhesion materials can function as a protective barrier to avoid any adhesion, and can prevent adverse reactions related to adhesion to avoid medical risk associated with operation conducted right there, so as to reduce overall medical expenses. From 2015 to date, certain expert consensus associated with the anti-adhesion products marks the

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

Medical Collagen Sponge "奇特邦"

Medical collagen has good hemostatic and tissue filling effect, and thus becomes a unique biomedical material used in surgical operations for gynaecology and obstetrics, otolaryngology, brain surgery and general surgery. The medical collagen sponge "奇特邦" product of our Group is a refined type I collagen extracted from bovine tendon through the advanced freeze-drying technology. It can accelerate hemostasis and promote wound healing. In the meantime, medical collagen sponge "奇特邦" in various specifications can be used for hemostasis, and various tissues and organs cavity filling to eliminate the residual cavity, thereby shortening the operation time and accelerating wound and tissue healing process after surgeries.

During the Reporting Period, through strengthening marketing and promotion, the Group further enhanced the market recognition of its medical collagen sponge "奇特邦".

However, due to the impact brought by the reform of the payment method of medical insurance in 2017, in particular, the limitations on, or even suspension on use of, high-valued materials including anti-adhesion materials and new hemostasis materials in certain regions at the end of 2017, the Group's whole series of surgical products were restricted in hospital use. Coupled with the fact that the relevant tender process was not yet completed in some regions at the end of 2017, the Group's revenue from the sales of surgical products during the Reporting Period failed to grow as expected. The management of the Company believes that, the anti-adhesion materials and new hemostasis materials have precise clinical needs, and therefore, the use of which will gradually resume in 2018, and along with the completion of the tender processes in more regions, the market share and income of the Group's surgical products will enjoy a significant growing potential.

Research and Development ("R&D")

The Group continued to put more efforts on R&D. During the Reporting Period, the total R&D expenses amounted to RMB76.33 million, representing an increase of 61.5% as compared to 2016.

The Group owns three R&D bases which are named as Shanghai municipal R&D institutions, one national postdoctoral R&D workstation and one Shanghai municipal academician expert workstation. As at 31 December 2017, the Group's in-house R&D team comprised 207 staff members, of which 153 were degree holders or above, 16 were doctorate degree holders and 50 were master's degree holders. All core products of the Group were primarily developed by its in-house R&D team with the support of various colleges and universities, research institutes and sizable "Grade III" hospitals across China.

The Group owns an overseas R&D centre located in California of the United States, and will leverage on its advanced technology and R&D advantages to speed up the technological upgrading of domestic ophthalmic materials and improve the quality level and market competitiveness of domestic products.

As at 31 December 2017, the Group owns 57 product licenses and 42 product pipelines in different stages of R&D. The Group intends to lodge application for approval of production for 3 products; 7 products are undergoing different stages of clinical trials or type inspection; and 32 products are undergoing the stages of preclinical study or technology study.

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

As at the date of this announcement, the National Development and Reform Commission released the 2017 (24th Batch) Proposed List of National Enterprise Technology Centers, on which the Company has been included as the only

bio-medicine enterprise in Shanghai, making the Company the first Shanghai bio-medicine enterprise enlisted ever since 2015. The National Enterprise Technology Center was appraised and confirmed jointly by the National Development and Reform Commission, the Ministry of Science of Technology, the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation. Since the commencement of the appraisal from 1993 in the PRC, an accumulation of 1,276 enterprises have been recognized as national-level enterprise technology centers, of which 61 enterprises are located in Shanghai, and only 6 are medical enterprises in Shanghai.

In the short to medium term, the Group will focus on the research and development of the third generation of HA dermal filler "QST gel", fibrin sealant products, second generation of thermal-sensitive chitosan products, new IOL products and certain programs in ophthalmic treatment areas covering optical, dry eyes and glaucoma, and will also expand specification and indication of the Group's existing products in the market.

In the long term, the Group will insist on expanding its R&D capabilities to further develop the new IOL and high-end ophthalmic implant materials R&D platform, which is elected as one of the National Key Research and Development Programs under the "13th Five-Year Plan". The medical chitosan technology platform, which is elected and supported by the National High-Tech R&D Program (863 Program) and the major project of National Science and Technology under the "12th Five-Year Plan", as well as the electrospinning technology platform (elected as the major project of National Science and Technology) will further expand the Group's product offerings in the product sectors of sustained-release preparations, new compound anti-adhesion and hemostasis membrane products.

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

Sales and Product Marketing

The Group operates a marketing model that combines with distribution and direct sales, and owns extensive and effective sales network in China.

As at 31 December 2017, the Group's distribution network comprised over 2,000 distributors. With such distribution network, products of the Group are sold across provinces, municipals and autonomous regions in China. In addition to the distribution network, the Group also has four professional teams, namely, specific markets, medical, commercial and sales teams who are responsible for formulating

standardized marketing and sales policies, product trainings, academic promotions, clinical services, selecting and managing distributors, maintaining direct sales to certain core regions and key hospitals to ensure professional promotion and brand building of the Group's products and keeping abreast of any changes to market needs. The four teams work independently yet complementing each other, centralizing the beneficial resources of the Group to assist the Group's products to expand their market shares rapidly and effectively. The management of the Company believes that the Group's broad coverage of hospitals and other medical institutions and its capabilities of identifying and managing distributors are serving as the major competitive strengths. Accordingly, the Group is able to effectively promote its products to the target market by means of its sales network with broad coverage. As a result, this lays a solid foundation for continuously enhancing the reputation of the Group's products and brand, expanding the market share and increasing the sales of the products.

During the Reporting Period, the Group derived revenue of approximately RMB819.36 million and RMB525.50 million (2016: RMB634.97 million and RMB216.19 million) from the sales of its products through distributors and from direct sales, respectively, which accounted for 60.9% and 39.1% (2016: 74.6% and 25.4%) of the Group's sales revenue, respectively.

OPERATING PROSPECTS OF 2018

Recently, the continual growth of the pharmaceutical and healthcare industry in China is driven by a combination of favourable socioeconomic factors. Following the announcement and implementation of various policies, the reform of pharmaceutical and healthcare system in China has been further deepened. Tendering reforms such as the Sunshine Procurement Platform, the cross-regional joint procurement, as well as the two-vote system and other policies profoundly affecting the industry are propelling industry integration, transformation of operating models and price competition within the industry. The management of the Company believes that the year of 2018 will follow the year of 2017 which is full of challenges for the medical and pharmaceutical industry in China. Meanwhile, along with the efforts in advancing the notion of building a healthy China, the domestic industrialization progress of medical and pharmaceutical industry and reforms of weeding out obsolete capacities, enterprises benefiting from the advantage of scale and in possession of advanced technologies, well established brands, marketing competitive edge and industrial integration capabilities will experience invaluable development opportunities.

In 2018, the Group will continue to put its own capital to effective use; to proactively expand the business scale to the deeper and broader market of ophthalmology on the basis of the whole existing industry chain layout centered on IOL products; to explore the fast-growing therapeutic fields of medical aesthetic, orthopedics and surgery; and to actively identify suitable target companies to achieve expansionary business growth through acquisitions, capital increase or equity participation where appropriate.

In 2018, the Group will continue to focus on the organic growth of the existing segments by the following means:

- enhancing the manufacturing capacity of the whole series of products and upgrading the manufacturing facilities of merged companies by improving the quality of products and production efficiency through more intelligent and numerical manufacturing facilities and by actively expanding manufacturing place and establishing new production line;

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

- pushing forward the upgrade of existing products, expanding investment in R&D of innovative products to fulfil market demands, promoting the clinical applications of products, supporting the technical improvements of IOL products and accelerating the replacement of imported goods;

- taking a series of marketing measures to intensify market penetration of original competitive products and expanding the coverage of the new products on key hospitals and areas via a refined multi-dimensional marketing strategy. In the new situation of pharmaceutical marketing, increasingly emphasizing the compliance management, and further advancing the development of professional marketing services.

Orthopedics Products

The management of the Company has well positioned the two types of orthopedics products of the Group. Sodium hyaluronate injection, which has a longer cultivation cycle, possesses the advantages of high clinical recognition and relatively broad application. In 2018, the Group will, as guided by the 2012 Consensus and 2017 Consensus, continue to advance marketing and provide academic support for the sufficient and regulated use of sodium hyaluronate injection products by the Chinese clinicians in orthopedic and sports medicine areas. Meanwhile, the Group is able to

gain competitive edges in bidding and tendering by its products with whole series of specifications, which is helpful to stabilize the extensive coverage of the Group's sodium hyaluronate injection product for intra-articular viscosupplement products market and benefit more patients.

On the other hand, "Chitogel", the Group's exclusively-owned medical chitosan product used for intra-articular viscosupplement, is the only Class III medical device product with the registration certificate in China. Such product has the significant advantages of minimized injection dosage and long-lasting therapeutic effect. For the medical chitosan "Chitogel" product, the management of the Company has designated (i) differentiated clinical applications; (ii) target market and price positioning, (iii) actively enhanced their marketing promotion and sales, and (iv) strived to penetrate the market in various regions, to secure the overall profitability of orthopedics products through the continuous growth in sales of such product.

While implementing the above strategies effectively, the Group will also actively explore and develop new products, to achieve the synergic development of the orthopedics products, thereby securing the brand appeal and leading position of the Group in the market of intra-articular viscosupplement products in China.

Medical Aesthetics and Wound Care Products

In 2018, the Group will advance, with all efforts, the clinical trials and registration of the third generation of HA dermal filler QST gel product, and combine the existing HA dermal filler "Matrifill" and "Janlane" product series to satisfy the increasingly segmented and diversified market demands. Leveraging on its highly competitive R&D, manufacture and sales platforms in medical biological materials, as well as the comprehensive superiority in the processing technology and quality control of HA Dermal Filler Products, the Group will continue to provide safe, effective and high-quality products for medical institutions and consumers. With regards to marketing, the Group will be proactive in exploring the market of its key commercial partners while expanding the coverage in medical institutions.

Anti-Adhesion and Hemostasis Products

In respect of the current market landscape of anti-adhesion products, there are various types of products in the PRC market, and market concentration is relatively high with the top three manufacturers representing nearly 80% of the market share in aggregate. In recent years, more challenges have been posed during product license renewal and new product registrations as the government continues to raise demands on the quality of such products. Products with outdated technology or unstable quality are gradually eliminated. The market entry barrier for new competitors has been raised progressively. Meanwhile, the Group continues to put more efforts on

improving the specifications and packaging of the anti-adhesion and hemostasis products. The Group is currently able to provide a series of products with the most comprehensive and integrated specifications. The detailed designs can render more user-friendly products and further cater for clinical needs, thus cultivating a brand preference for medical practitioners. In 2018, the Group will enhance the market recognition and acceptance of the products among clinical surgery by putting more efforts on professional promotion, preparing for the rapid growth of such products.

Ophthalmology Products

The Group focuses on the investment and industrial integration of the ophthalmic high-valued materials, pharmaceuticals and diagnosing equipment used in ophthalmology surgery in China. In 2018, leveraging on its management team's brilliant track record, resource advantages and rich experiences in integrating strategic assets, the Group will continue to seek to streamline and integrate the internal and external products, technology, talents and other resources of the Group and all of its ophthalmology subsidiaries, aiming to promote the application of new materials and leverage on the advantages of overseas technological platform. The Group is committed to developing the whole series of domestic IOL products and promoting the domestic industrialization of overseas matured IOL production technology, with an aim to enhance the productivity, quality and market competitiveness of domestic enterprises, which in turn achieves replacement of imported products with domestic products in domestic market and expansion to international market, to explore the highly potential ophthalmology market with global customers. In addition, the Group will explore the development of ophthalmic treatments in glaucoma, fundus and dry eyes and build an industry foundation for its future business growth with efficient industry integration.

FINANCIAL REVIEW

Revenue, Cost and Gross Profit Margin

During the Reporting Period, the Group recorded aggregate revenue of approximately RMB1,344.86 million (2016: approximately RMB851.16 million), representing an increase of RMB493.70 million, or approximately 58.0%, as compared to that in 2016, which was primarily attributable to the revenue contributed by the ophthalmic high-valued materials business acquired by the Group and the sustained increase of sales of medical aesthetics products of the Group. Following the growth in revenue, the sales cost of the Group amounted to approximately RMB287.47 million, representing an increase of 103.1% as compared to that in 2016.

During the Reporting Period, the overall gross profit margin of the Group decreased from 83.4% in 2016 to 78.6%, primarily attributable to the lower overall gross profit margin of the ophthalmic high-valued materials business acquired by the Group as compared to that of the Group's existing business, as well as the fact that the Group lowered the selling prices of various series of products under the existing business in order to respond to the national tender policy and adapt to the highly competitive market environment, which also resulted to a decrease in gross profit margin.

Selling and Distribution Expenses

The selling and distribution expenses of the Group increased from approximately RMB287.76 million in 2016 to approximately RMB414.08 million for the Reporting Period, representing an increase of approximately RMB126.32 million. The proportion of selling and distribution expenses to the Group's total revenue decreased from 33.8% in 2016 to 30.8% for the Reporting Period. The general increase in the selling and distribution expenses of the Group during the Reporting Period was primarily due to the impact of combined statements incurred by the acquisition of ophthalmic high-valued materials business by the Group. Meanwhile, the Group's increasing involvement in academic promotion and launching campaign of new products such as HA Dermal Filler product "Janlane" during the Reporting Period also led to an increase in selling expenses. However, the selling and distribution expenses of the ophthalmic high-valued materials business acquired by the Group, in particular, the Group's overseas business, represented a relatively low proportion in the total revenue, which led to a decrease in the general proportion of the Group during the Reporting Period.

Administrative Expenses

The administrative expenses of the Group increased from approximately RMB90.19 million recorded in 2016 to approximately RMB194.75 million for the Reporting Period, representing an increase of approximately RMB104.56 million. The proportion of administrative expenses to the Group's total revenue increased from 10.6% in 2016 to 14.5% for the Reporting Period. The general increase in the administrative expenses of the Group during the Reporting Period was primarily due to the existing administrative expenses incurred by the acquisition of ophthalmic high-valued materials business by the Group, the amortization charge on intangible assets from business acquisitions, and other impacts of combined statements. Moreover, the increasing number of administrative staff as well as more performance awards distributed by the Group also contributed to increased administrative expenses.

R&D Expenses

The R&D expenses of the Group increased from approximately RMB47.26 million recorded in 2016 to approximately RMB76.33 million for the Reporting Period, representing an increase of approximately RMB29.07 million, primarily due to the impact of combined statements incurred by the acquisition of ophthalmic high-valued materials business by the Group. Meanwhile, as the Group continued to enlarge its R&D investments in the existing businesses, more pipeline products and more R&D team members also resulted in the growth in R&D expenses. During the Reporting Period, the proportion of R&D expenses to the Group's total revenue was 5.7% (2016: 5.6%). With the Group's rich product pipeline under development and its continued investment in R&D activities, the management of the Company believes that the Group has built a solid foundation for the sustainable growth of the Group in the future.

Income Tax Expense

The income tax expense of the Group increased from approximately RMB55.26 million in 2016 to approximately RMB61.61 million for the Reporting Period, representing an increase of approximately RMB6.35 million.

The effective rate of income tax for the Group recorded a slight decrease from 15.1% in 2016 to 13.3% for the Reporting Period, primarily due to the utilization of previous years' current tax losses by two of the Group's subsidiaries.

Results of the Year

Due to the above reasons, during the Reporting Period, the profit attributable to ordinary equity holders of the Company was approximately RMB372.42 million (2016: RMB305.05 million), representing an increase of approximately 22.1% as compared to that in 2016. The amortisation charge attributable to ordinary equity holders of the Company on intangible assets from business acquisition of the Group (after tax) was approximately RMB12.50 million (2016: RMB1.41 million), after excluding the impact of such charge, the profit attributable to ordinary equity holders of the Company was approximately RMB384.92 million (2016: RMB306.46 million), representing an increase of approximately 25.6% as compared to that in 2016.

During the Reporting Period, the basic earnings per share were RMB2.33 (2016: RMB1.91). The stable growth in the results during the Reporting Period was mainly attributable to the income from the ophthalmic high-valued materials business acquired by the Group as well as the growth in sales revenue and profit of the existing business of the Group.

Liquidity and Capital Resources

As at 31 December 2017, the total current assets of the Group amounted to approximately RMB2,385.97 million, representing a decrease of approximately RMB102.19 million as compared to the amount as at 31 December 2016, and the total current liabilities amounted to approximately RMB477.76 million, representing a decrease of approximately RMB58.40 million as compared to the amount as at 31 December 2016. As at 31 December 2017, the Group's current assets to liabilities ratio was approximately 4.99 (31 December 2016: 4.64).

Employees and Remuneration Policy

The Group had 1,107 employees in total as of 31 December 2017. The breakdown of our total number of employees by function was as follows:

Production	405
Research and Development	207
Sales and Marketing	310
Supply	18
Administration	167
Total	1,107

The Group's remuneration policy for its employees is based on their working experience, daily performance, sales performance of the Company and external market competition. The Group provided various and thematic training programs for its employees regularly, such as training in relation to the knowledge of the product and sales of the Group, the applicable laws and regulations for operations, the requirements of GMP certificate, quality control, workplace safety and corporate culture. During the Reporting Period, the remuneration policy and training programs had no material changes and the total remuneration of the Group's employees amounted to approximately RMB205.61 million. The management of the Company will continue to combine the human resources management and enterprise strategies to recruit professionals according to the changes of the internal and external conditions so as to realize the Group's strategic goal through its strong and reasonable human resources structure.

Treasury Policies

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

Asset Pledge

As at 31 December 2017, the bank borrowings of approximately GBP2.16 million (equivalent to approximately RMB18.98 million) of Contamac Holdings, a subsidiary of the Group, were secured by the pledge of certain of its property, plant and equipment with the carrying amount of approximately GBP1.45 million (equivalent to approximately RMB12.74 million) (31 December 2016: nil).

Gearing

As at 31 December 2017, the total liabilities of the Group amounted to approximately RMB708.59 million and the gearing ratio (total liabilities/total assets) x 100%) was 17.4%, representing a decrease as compared to 19.2% as at 31 December 2016. Such decrease was primarily due to the Group's subsequent payment for part of the business acquisitions during the Reporting Period.

Bank Borrowings

As at 31 December 2017, Shenzhen NIMO and Contamac Holdings, two subsidiaries of the Group, had interest-bearing bank borrowings of approximately RMB18.50 million and GBP2.16 million (equivalent to approximately RMB18.98 million), respectively.

As at 31 December 2016, Shenzhen NIMO, the subsidiary of the Group, had interest-bearing bank borrowings of approximately RMB26.67 million.

Foreign Exchange Risk

The sales, costs and expenses of the Group were principally and mostly denominated in RMB. Despite the fact that the Group might be exposed to foreign exchange risk, the Board expects that exchange rate fluctuation of the foreign currencies held by the Group will not have any material adverse impact on the Group in the future. During the Reporting Period and as at 31 December 2017, the Group did not enter into any hedging transactions.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities.

Material Events after the Reporting Period

As at 31 December 2017, there were no significant events after the Reporting Period.

Material Acquisitions and Disposals of Subsidiaries and Associates

Save as disclosed in this announcement, the Group did not have any material acquisitions and disposals related to subsidiaries and affiliated companies during the year ended 31 December 2017.

Significant Investment

Save as disclosed in this announcement, the Group has no other significant investment during the year ended 31 December 2017.

Purchase, Sales or Redemption of Listed Securities

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

Final Dividend

The Board proposed to declare a final dividend of RMB0.50 (inclusive of tax) per share or an aggregate of RMB80,002,650 for the year ended 31 December 2017 (2016: RMB0.50 (inclusive of tax) per share or an aggregate of RMB80,002,650).

The aforesaid proposal is subject to the consideration and approval at the annual general meeting ("**AGM**"). If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended 31 December 2017 will be paid on or before Friday, 10 August 2018 to the shareholders.

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

Annual General Meeting

The 2017 AGM will be held on Monday, 11 June 2018. The notice of 2017 AGM will be posted to the shareholders in due course.

Closure of the Register of Members

In order to determine the holders of H shares who are entitled to attend the AGM, the H shares registrar and transfer office will be closed from Saturday, 12 May 2018 to Monday, 11 June 2018, both days inclusive, during which no transfer of shares will

be registered. In order to determine the shareholders of H shares who are entitled to receive the final dividend for the year ended 31 December 2017, the H shares registrar will be closed between Thursday, 21 June 2018 and Wednesday, 27 June 2018, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the AGM, holders of H shares shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the head office of the Company at 23/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, China for holders of domestic shares for registration at or before 4:30 p.m. on Friday, 11 May 2018.

For qualifying to receive the final dividend for the year 2017, holders of H shares whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the head office of the Company at 23/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, China for holders of domestic shares for registration at or before 4:30 p.m. on Wednesday, 20 June 2018.

Corporate Governance Code

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

Compliance with the Model Code

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

Audit Committee

The Company has established an audit committee and the audit committee comprises five directors, namely Mr. Shen Hongbo, Ms. You Jie, Mr. Chen Huabin, Mr. Li

Yuanxu and Mr. Zhu Qin and is chaired by Mr. Shen Hongbo. The primary duties of the audit committee of the Company (the "**Audit Committee**") are to review and supervise the Company's financial reporting procedures and internal control system. The Group's unaudited condensed consolidated financial statements for the Reporting Period have been reviewed by the Audit Committee.

Publication of the Annual Results and the Annual Report

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

The Company's 2017 Annual Report containing all information required under the Listing Rules will be dispatched to the shareholders and will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.com) and the Company's website (www.3healthcare.com) in due course.

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

Shanghai, the PRC, 26 March 2018

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

** For identification purpose only*