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Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock Code: 6826)

CONNECTED TRANSACTION

ACQUISITION OF 9% INTEREST IN CONTAMAC HOLDINGS LIMITED

THE ACQUISITION

The Board is pleased to announce that, on 21 May 2021 (after trading hours), Haohai Healthcare Holdings (an indirect wholly-owned subsidiary of the Company) and the Seller entered into the Share Purchase Agreement pursuant to which the Seller agreed to sell and Haohai Healthcare Holdings agreed to buy 9% interest in the Target Company for a consideration of £5,974,470 (equivalent to approximately HK\$65,480,200).

As at the date of this announcement immediately before the Transaction, Haohai Healthcare Holdings holds 70% interest in the Target Company (i.e. a non-wholly owned subsidiary of the Company). Upon Completion, Haohai Healthcare Holdings will become the holder of 79% interest in the Target Company. Reference may be made to the Company's discloseable transaction announcement dated 13 April 2017 for further information on the Prior Acquisition of the 70% interest in the Target Company which was completed in June 2017.

LISTING RULES IMPLICATION

The Seller is the father of Mr. Robert John McGregor, a director of the Target Company. As Mr. Robert John McGregor is a connected person of the Company, the Seller is an associate of a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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THE SHARE PURCHASE AGREEMENT

A summary of the principle terms of the Share Purchase Agreement is as follows:

Date: 21 May 2021

Parties: (1) Haohai Healthcare Holdings, as Buyer; and
(2) Mr. John Alexander McGregor, as Seller

Subject Matter of the Transaction

Pursuant to the Share Purchase Agreement, the Seller has agreed to sell, and Haohai Healthcare Holdings has agreed to buy the Sale Shares subject to the terms and conditions of the Share Purchase Agreement and with reference to the terms under the Prior Acquisition.

Consideration and Payment

The consideration for the Sale Shares is £5,974,470 (equivalent to approximately HK\$65,480,200) which will be payable in cash by way of bank transfer at Completion.

The consideration was determined and agreed between the Buyer and the Seller with reference to the valuation report dated 29 April 2021 prepared by an independent valuer in accordance with the fair value calculation method previously agreed between the shareholders of the Target Company based on arm's length negotiations.

Conditions Precedent

Completion is conditional on the fulfilment of customary conditions, including:

1. no decree, regulation, rule or decision having been made, issued or adopted from or by any government or regulatory authority which would prohibit or impose restrictions on Completion; and
2. all requisite corporate and regulatory approvals having been obtained in respect of the sale and purchase of the Sale Shares, including any PRC regulatory approvals required for the payment of the consideration for the Transaction.

If the above conditions have not been satisfied by the long-stop date (being within 6 months of the date of the Share Purchase Agreement), either Party may serve notice on the other Party to terminate the Share Purchase Agreement.

Completion

Completion shall take place on the date of the Share Purchase Agreement (provided the conditions precedent have been met), or where the conditions precedent have not been met on the date of the Share Purchase Agreement, on the date being five Business Days after the date on which the last of the conditions precedent is satisfied (or on such other date as the Seller and the Buyer may agree).

INFORMATION ABOUT THE GROUP AND THE BUYER

The Group is principally engaged in the manufacture and sale of biologicals, medical hyaluronate and ophthalmic products, research and development of biological engineering, pharmaceutical and ophthalmic products and the provision of related services.

The Buyer is a company incorporated in the British Virgin Islands with limited liability indirectly wholly-owned by the Company, and is principally engaged in investment and trading business.

INFORMATION ABOUT THE TARGET COMPANY AND THE SELLER

The Target Company is a company incorporated in the United Kingdom with limited liability and is principally engaged in the manufacture of contact lens and intraocular lens materials, including silicone hydrogel materials, gas permeable materials, hydrophilic lens materials, and hydrophobic and hydrophilic intraocular lens materials.

As at the date of this announcement immediately before the Transaction, Haohai Healthcare Holdings holds 70% interest in the Target Company. Upon Completion, Haohai Healthcare Holdings will become the holder of 79% interest in the Target Company. Reference may be made to the Company's discloseable transaction announcement dated 13 April 2017 for further information on the Prior Acquisition of the 70% interest in the Target Company which was completed in June 2017.

The Seller is a UK national and the father of Mr. Robert John McGregor, a director of the Target Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As at 31 December 2020, the audited total assets of the Target Company was about £28,370,000 (equivalent to approximately HK\$310,935,200).

Set out below is the audited profit before tax and profit after tax of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>(£000's)</i>	<i>(£000's)</i>
Profit before tax	9,694.53	2,014.32
Profit after tax	7,786.87	1,948.66

As the Seller was one of the shareholders who established the Target Company and did not acquire the 9% interest in the Target Company from a third party, there was no original acquisition cost for the Sale Shares.

The book value of the net asset of the Target Company on 31 December 2020 was about £23,868,550 (equivalent to approximately HK\$261,599,300). Pursuant to the valuation report of the independent valuer, the fair value of the Target Company and its subsidiaries on 31 December 2020 was £66,383,000 (equivalent to approximately HK\$727,557,700). Accordingly, 9% interest in the Target Company's shares was valued at £5,974,470 (equivalent to approximately HK\$65,480,200).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The shareholders of the Target Company have previously agreed during the Prior Acquisition in 2017 on certain put and call option rights, amongst which the Seller has a put option right to sell the Sale Shares to the Buyer and the Buyer has a call option right to buy the Sale Shares from the Seller after the expiry of the Seller's lock up period.

Considering the Seller's advanced age and the Target Company's importance to the Group, the Seller and the Buyer have each now agreed to exercise their rights by entering into the Share Purchase Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Seller is the father of Mr. Robert John McGregor, a director of the Target Company. As Mr. Robert John McGregor is a connected person of the Company, the Seller is an associate of a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Transaction are more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Transaction. Therefore, none of the Directors is required to abstain from voting on the Board resolution approving the Share Purchase Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday or Sunday) on which banks are generally open in the PRC, Hong Kong and United Kingdom for normal business

“Buyer” or “Haohai Healthcare Holdings”	Haohai Healthcare Holdings (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, and its H Shares and A shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 6826) and the Sci-Tech Innovation Board of the Shanghai Stock Exchange (Stock Code: 688366), respectively
“Completion”	completion of the Transaction in accordance with the terms and conditions of the Share Purchase Agreement
“connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Director(s)”	directors of the Company or any one of them
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Prior Acquisition”	the acquisition of 70% interest in the Target Company by Haohai Healthcare Holdings as further detailed in the disclosable transaction announcement of the Company dated 13 April 2017 and completed in June 2017
“Sale Shares”	the 90 Ordinary (A) Shares of £1 each in the Target Company registered in the name of the Seller
“Seller”	Mr. John Alexander McGregor
“Share Purchase Agreement”	the share purchase agreement entered into between the Buyer and the Seller on 21 May 2021 in relation to the Transaction
“Shareholders”	shareholders of the Company
“Target Company”	Contamac Holdings Limited, a company incorporated in the United Kingdom with limited liability and indirect non-wholly owned subsidiary of the Company

“Transaction” the acquisition of the Sale Shares pursuant to the terms of and as contemplated under the Share Purchase Agreement

“£” pound sterling, the lawful currency of the United Kingdom

Note: For the purpose of this announcement, unless otherwise indicated, the exchange rate at £1.00=HK\$10.96 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged at this rate.

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

Shanghai, the PRC, 21 May 2021

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

* *For identification purpose only*