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 20% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY

The Board is pleased to announce that on 8 February 2023, the Purchaser and the Sellers entered into the Equity Transfer Agreement, pursuant to which the Sellers agreed to sell 20% equity interest in the Target Company, an indirect 60%-owned subsidiary of the Company, to the Purchaser at a consideration of RMB140,000,000. Upon completion of the Acquisition, the Group will hold 80% equity interest in the Target Company.

To the best of the Directors' knowledge after making all reasonable enquiries, as at the date of this announcement, three of the Sellers are connected persons of the Company at the subsidiary level as further explained below:

(i) *Mr. Zhang*: Mr. Zhang is a director of the Target Company and hence a connected person of the Company at the subsidiary level.

(ii) *Zhongjing*: Mr. Yu. is a director of the Target Company and hence a connected person of the Company at the subsidiary level. Zhongjing is a limited partnership in which Mr. Yu is a general partner, and thus Zhongjing is an associate of Mr. Yu and is therefore also a connected person of the Company at the subsidiary level.

(iii) *Shenzhen Baina*: Ms. Gu. is a director of the Target Company and hence a connected person of the Company at the subsidiary level. Shenzhen Baina is a limited partnership in which Ms. Gu is a limited partner who owns 50% equity interest in Shenzhen Baina, and thus Shenzhen Baina is an associate of Ms. Gu and is therefore also a connected person of the Company at the subsidiary level.

For the sake of completeness, Shenzhen Jiusi is a limited partnership in which an adult child of Mr. Zhang owns 20% equity interest as a limited partner. Although Mr. Zhang's adult child is an associate of Mr. Zhang and thus a connected person of the Company at the subsidiary level, it does not render Shenzhen Jiusi a connected person of the Company.

Given that the Acquisition involves simultaneous acquisitions of an aggregate of 20% equity interest in the Target Company from the Sellers, the acquisitions from different Sellers were treated as a single transaction, and it constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition 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.

INTRODUCTION

The Target Company is currently a non-wholly subsidiary of the Company in which the Purchaser, a wholly-owned subsidiary of the Company, owns 60% equity interest. Please refer to the announcement of the Company dated 16 November 2016 in relation to, among other things, the acquisition of 60% equity interest in the Target Company by the Group.

On 8 February 2023, the Purchaser and the Sellers entered into the Equity Transfer Agreement, pursuant to which the Sellers agreed to sell 20% equity interest in the Target Company to the Purchaser.

EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are summarised as follows:

Date

8 February 2023

Parties

1. Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a wholly-owned subsidiary of the Company, as the Purchaser

2. Mr. Zhang, Shenzhen Jiusi, Zhongjing and Shenzhen Baina, collectively as the Sellers

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to acquire, and the Sellers agreed to sell collectively 20% equity interest in the Target Company as shown in the following table:

	Percentage of registered and paid-in capital of the Target Company		
Shareholders of the Target Company	**Immediately before completion of the Acquisition** *(%)*	**To be acquired/ (sold)** *(%)*	**Immediately after completion of the Acquisition** *(%)*
The Purchaser	60	20	80
Mr. Zhang	19.2	(5.6)	13.6
Zhongjing	8	(8)	–
Shenzhen Baina	8	(4)	4
Shenzhen Jiusi	4.8	(2.4)	2.4

Upon completion of the Acquisition, the Company indirectly holds 80% equity interest in the Target Company. Accordingly, the Target Company continues to be a non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will continue to be consolidated into the accounts of the Group.

Consideration and the payment terms

The Consideration for the Acquisition is RMB140,000,000, which shall be settled by the Purchaser in cash in the following tranches:

(i) RMB70,000,000 shall be paid to the Sellers within 15 working days after the signing of the Equity Transfer Agreement; and

(ii) RMB70,000,000 shall be paid to the Sellers within 15 working days upon satisfaction of the conditions precedent set out below, and completion of equity transfer registration and share pledge registration with the relevant local authorities.

The Consideration has been arrived at after arm's length negotiations between the parties to the Equity Transfer Agreement, with reference to (i) the historical operating performance of the Target Company; (ii) its established and mature distribution network in ophthalmology products market in the PRC; (iii) the exclusive rights of the Target Company to distribute various imported ophthalmology products in the PRC; and (iv) the appraised fair value of the entire equity interests in the Target Company of RMB698,027,000 as of 31 October 2022. The valuation was carried out by Lance Asia (Beijing) Enterprise Management Consulting Co., Ltd.* (藍策亞洲(北京)企業管理諮詢有限公司), a qualified independent valuer, using the market approach.

According to the Sellers, the Sellers' original acquisition cost in 20% equity interest in the Target Company (based on the considerations of the previous transfers of equity interest in the Target Company among the Sellers and Mr. Yu) was approximately RMB2,880,000, which is not directly related to the determination of the Consideration of the Acquisition.

The Consideration will be funded by the internal resources of the Group.

Closing and closing conditions

Closing shall take place within 15 days after execution of the Equity Transfer Agreement and is conditional upon satisfaction of the following conditions precedent:

(i) the Equity Transfer Agreement has been entered into between the Sellers and the Purchaser;

(ii) all the information provided to the Purchaser during the negotiation of the Equity Transfer Agreement are true, accurate and complete and none of them is untrue, misleading or amount to a material omission;

(iii) the Acquisition and the terms of the Equity Transfer Agreement (including but not limited to the Profit Guarantees and the Share Pledge Agreement) have been duly approved by all partners of the Sellers, and Mr. Zhang, Shenzhen Baina and Shenzhen Jiusi have entered into the Share Pledge Agreement with the Purchaser;

(iv) the Sellers have made sufficient, accurate and full disclosure of information regarding the assets, liabilities, rights and interests and guarantee of the Target Company and the Equity Transfer Agreement to the Purchaser;

(v) the transactions contemplated under the Equity Transfer Agreement have been duly consented or approved by the relevant authorities, directors and/or committee members of the Purchaser pursuant to the articles of association or any other constitutional documents of the Purchaser;

(vi) there is no material adverse change to the business, status, performance, prospect of the Target Company and market outlook;

(vii) there are no encumbrances, title defects or any third party claims in the equity interest of the Target Company;

(viii) the Target Company is a going concern and has not taken any illegal actions;

(ix) the articles of association of the Target Company have been amended according to the provisions of the Equity Transfer Agreement (the "**Amendments to the Articles**") and such amendments have been formally endorsed by all shareholders of the Target Company, and such amendments and endorsements have been approved by the Purchaser in writing; and there are no other amendments or restatement of the articles of association of the Target Company except the Amendments to the Articles;

(x) all requisite consents and approvals in connection with the entering into and performance of the terms of the Equity Transfer Agreement have been obtained from the Target Company and any other third parties (including but not limited to the Target Company's shareholders' approval for (i) the Acquisition; (ii) waiving existing shareholders' right of first refusal; and (iii) the Amendments to the Articles); and

(xi) all of the undertakings or warranties made by the Sellers under the Equity Transfer Agreement are true, accurate and complete and there is no information which is untrue, misleading or amounts to a material omission.

Profit Guarantees

Yearly Profit Guarantees

Pursuant to the Equity Transfer Agreement, the Sellers have undertaken to the Purchaser that:

(1) the Target Company Business Profit for the year ended 31 December 2023 (the "**2023 Actual Profit**") shall not be less than RMB39,600,000 (the "**2023 Profit Guarantee**");

(2) the Target Company Business Profit for the year ended 31 December 2024 (the "**2024 Actual Profit**") shall not be less than RMB59,100,000 (the "**2024 Profit Guarantee**"); and

(3) the Target Company Business Profit for the year ended 31 December 2025 (the "**2025 Actual Profit**", together with 2023 Actual Profit and 2024 Actual Profit, the "**Actual Profits**") shall not be less than RMB81,000,000 (the "**2025 Profit Guarantee**", together with the 2023 Profit Guarantee and 2024 Profit Guarantee, the "**Profit Guarantees**").

Monetary Compensation

If the 2023 Actual Profit, the 2024 Actual Profit or the 2025 Actual Profit is lower than the Profit Guarantee for the relevant year, the Purchaser shall have the right to request the Sellers to provide monetary compensation (the "**Monetary Compensation**") based on the following formula:

$$\text{Monetary Compensation for the relevant year} = \frac{\begin{array}{c}\text{Profit Guarantee for the relevant year}\\\text{minus Actual Profit for the relevant year}\end{array}}{\text{The total amount of the Profit Guarantees}} \times \text{Consideration,i.e., RMB140,000,000}$$

The Sellers' obligation to provide Monetary Compensation in a given year will be waived if the Actual Profit for the relevant year is below the Profit Guarantee for the relevant year but not less than 90% of the Profit Guarantee for the relevant year.

Further, incidental to the Equity Transfer Agreement, Mr. Zhang, Shenzhen Baina and Shenzhen Jiusi agreed to enter into the Share Pledge Agreement with the Purchaser, pursuant to which Mr. Zhang, Shenzhen Baina and Shenzhen Jiusi shall pledge all of their remaining 20% equity interest in the Target Company to the Purchaser to secure the performance of the Sellers' obligations to provide Monetary Compensation.

Bonus to the management team of the Target Company

After the expiration of the profit guarantee period, if the Actual Profits exceed 110% of the Profit Guarantees, then:

(i) the entire amount exceeding 110% and up to 120% of the Profit Guarantees will be awarded as bonus to the management team of the Target Company; and

(ii) 70% of the amount exceeding 120% of the Profit Guarantees will be awarded as bonus to the management team of the Target Company.

Such bonus will be issued after the issuance of the audited financial statements for the year ending 31 December 2025 of the Target Company.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group was 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 Purchaser is a wholly-owned subsidiary of the Company established in the PRC with limited liability. The Purchaser is an equity investment platform of the Group which mainly focuses on the field of ophthalmology.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in distributing a number of imported ophthalmology products in the PRC, including intraocular lens ("**IOL Products**"), ophthalmic viscoelastic devices and sodium hyaluronate gel that is used in glaucoma surgery. The Target Company is also the sole distributor of Lenstec (Barbados) Inc. ("**Lenstec**") in the PRC. Lenstec is one of the major suppliers of imported IOL Products in the PRC market. The Target Company and Lenstec have collaborated for more than 15 years, and the current exclusive distribution agreement is valid until 31 December 2026.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As at 30 September 2022, the total assets of the Target Company were RMB348,424,881 (unaudited).

Set out below are the profits before and after tax of the Target Company for the two financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022:

	For the year ended 31 December 2020	**For the year ended 31 December 2021**	**For the nine months ended 30 September 2022**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Profit before tax	882,468	12,053,170	(17,193,453)
Profit after tax	1,568,044	13,577,721	(17,812,286)

For illustration purpose only, the sums of the Target Company's net profits and the IOL Products Net Profits for the two financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 were RMB11,367,578, RMB28,487,120 and RMB10,925,061, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been steadily striving to penetrate the ophthalmic high-valued materials industry since its acquisition of 60% equity interest in the Target Company in November 2016. After years of integration and development, the Group has become a leading manufacturer of IOL Products in the PRC and the Target Company has become one of the major subsidiaries of the Company. Upon completion of the Acquisition, the equity interest of the Group in the Target Company will increase to 80%, which will be conducive to improving the management and operational efficiency of the Target Company, which will in turn increase the Group's competitiveness in the IOL Products market. As such, the Directors believe that the Acquisition is in line with the development needs and overall business plan of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Group as a whole. None of the Directors has a material interest in the Acquisition or is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

INFORMATION OF MR. ZHANG

Mr. Zhang is a PRC resident and a director of the Target Company.

INFORMATION OF ZHONGJING

Zhongjing is a limited partnership established in the PRC with limited liability and is principally engaged in entrusted management of equity investment funds (excluding securities investment, investment by raised funds in a public way, public funds management), equity investment, entrusted asset management (excluding trust, financial asset and securities asset management), investment management and consulting, enterprise management consulting and investment in industrial projects.

As at the date of this announcement, Zhongjing is owned as to 80% by Mr. Yu and 20% by Mr. Wu Xiangjun, an independent third party. Mr. Yu is the general partner of Zhongjing.

INFORMATION OF SHENZHEN BAINA

Shenzhen Baina is a limited partnership established in the PRC with limited liability and is principally engaged in investment consulting (excluding restrained items), marketing planning.

As at the date of this announcement, Shenzhen Baina is owned as to 50% by Ms. Gu, 46.50% by Ms. Zhang Caixia, 2.5% by Mr. Tian Decai and 1% by Ms. Wang Yuan. Ms. Gu is a limited partner of Shenzhen Baina. Ms. Zhang Caixia, who is a younger sister of Mr. Zhang, is a limited partner of Shenzhen Baina. Mr. Tian Decai and Ms. Wang Yuan are independent third parties. Mr. Tian Decai is the general partner of Shenzhen Baina.

INFORMATION OF SHENZHEN JIUSI

Shenzhen Jiusi is a limited partnership established in the PRC with limited liability and is principally engaged in entrusted asset management, investment management (excluding trust, financial asset and securities asset management), investment consulting, technology research and development of software product, technology service, marketing and project investment planning, equity investment and domestic trading.

As at the date of this announcement, Shenzhen Jiusi is owned as to 80% by Ms. Wang Yuan, the general partner of Shenzhen Jiusi and an independent third party, and 20% by Mr. Zhang Gongda. Mr. Zhang Gongda, who is an adult child of Mr. Zhang, is a limited partner of Shenzhen Jiusi.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge after making all reasonable enquiries, as at the date of this announcement, three of the Sellers, namely Mr. Zhang, Zhongjing and Shenzhen Baina are connected persons of the Company at the subsidiary level as further explained below:

(i) *Mr. Zhang*: Mr. Zhang is a director of the Target Company and hence a connected person of the Company at the subsidiary level.

(ii) *Zhongjing*: Mr. Yu. is a director of the Target Company and hence a connected person of the Company at the subsidiary level. Zhongjing is a limited partnership in which Mr. Yu is a general partner, and thus Zhongjing is an associate of Mr. Yu and is therefore also a connected person of the Company at the subsidiary level.

(iii) *Shenzhen Baina*: Ms. Gu. is a director of the Target Company and hence a connected person of the Company at the subsidiary level. Shenzhen Baina is a limited partnership in which Ms. Gu is a limited partner who owns 50% equity interest in Shenzhen Baina, and thus Shenzhen Baina is an associate of Ms. Gu and is therefore also a connected person of the Company at the subsidiary level.

For the sake of completeness, Shenzhen Jiusi is a limited partnership in which an adult child of Mr. Zhang owns 20% equity interest as a limited partner. Although Mr. Zhang's adult child is an associate of Mr. Zhang and thus a connected person of the Company at the subsidiary level, it does not render Shenzhen Jiusi a connected person of the Company.

Given that the Acquisition involves simultaneous acquisitions of an aggregate of 20% equity interest in the Target Company form the Sellers, the acquisitions from different Sellers were treated as a single transaction, and it constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition 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.

DEFINITIONS

"Acquisition"	the acquisition of 20% equity interest in the Target Company from the Sellers
"Board"	the board of directors 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 established 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
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	RMB140,000,000 representing the total consideration for Acquisition
"Directors"	the directors of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 8 February 2023, entered into by and among the Purchaser and the Sellers in relation to the acquisition of 20% equity interest in the Target Company
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"IOL Products Net Profit"	the net profit generated from the sale of IOL Products purchased from Lenstec through certain wholly-owned subsidiaries of the Company located in Hong Kong to the Target Company, and finally sold by the Target Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Yu"	Mr. Yu Chunhang (虞春航), a director of the Target Company
"Mr. Zhang"	Mr. Zhang Jinsong (張勁松), a director of the Target Company
"Ms. Gu"	Ms. Gu Yingzhi (顧穎之), a director of the Target Company
"PRC"	The People's Republic of China
"Purchaser"	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of PRC
"Sellers"	Mr. Zhang, Shenzhen Jiusi, Zhongjing and Shenzhen Baina

"Shareholder(s)"	the shareholder(s) of the Company
"Share Pledge Agreement"	the share pledge agreement dated 8 February 2023, entered into among Mr. Zhang, Shenzhen Baina, Shenzhen Jiusi and the Purchaser in relation to the Acquisition under the Equity Transfer Agreement
"Shenzhen Baina"	深圳市百納通達投資諮詢合夥企業(有限合夥) (Shenzhen Baina Tongda Investment Consulting Partnership (Limited Partnership)*), a limited partnership established in the PRC with limited liability
"Shenzhen Jiusi"	深圳市九思投資合夥企業(有限合夥)(Shenzhen Jiusi Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	深圳市新產業眼科新技術有限公司(Shenzhen New Industries Material of Ophthalmology Co., Ltd.*), a company established in the PRC with limited liability and an indirect 60%-owned subsidiary of the Company before the Acquisition
"Target Company Business Profit"	the sum of the Target Company's net profit after deduction of gains generated from other non-recurring gains and losses as recognised by the applicable accounting standards of the Target Company and the relevant regulatory requirements of the China Securities Regulatory Commission, save for gains generated from government subsidies, and the IOL Products Net Profit
"Zhongjing"	中經股權投資基金管理(深圳)合夥企業(有限合夥)(Zhongjing Equity Investment Fund Management (Shenzhen) Partnership (Limited Partnership)*), a limited partnership established in the PRC with limited liability
"%"	per cent.

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

Shanghai, the PRC, 8 February 2023

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

* *For identification purpose only*