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)

DISCLOSEABLE TRANSACTION AND INSIDE INFORMATION ACQUISITION OF 60% EQUITY INTERESTS IN AN OPHTHALMOLOGY PRODUCTS TRADING COMPANY IN SHENZHEN AND RESUMPTION OF TRADING

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

The Board is pleased to announce that on 15 November 2016, the Company and the Sellers entered into the Equity Transfer Agreement pursuant to which the Sellers agreed to sell 60% equity interest in a Shenzhen ophthalmology products trading company to the Company for a consideration of RMB360,000,000 (equivalent to approximately HKD409,090,909).

As all of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

At the request of the Company, trading in the H shares of the Company on the Stock Exchange has been halted with effect from 1:00 p.m. on 15 November 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 16 November 2016.

INTRODUCTION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

On 15 November 2016, the Company and the Sellers entered into the Equity Transfer Agreement pursuant to which the Sellers agreed to sell 60% equity interest in the Target Company, an ophthalmology products trading company in Shenzhen, to the Company.

EQUITY TRANSFER AGREEMENT

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

Date

15 November 2016

Parties

1. The Company, as the purchaser

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Jiusi, Zhongjing and Shenzhen Baina and each of their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company agreed to acquire, and the Sellers agreed to sell collectively 60% equity interest in the Target Company at the percentages of registered and paid-in capital of the Target Company as shown in the following table ("**Table 1**"):

Shareholders of the Target Company	**Percentage of registered and paid-in capital of the Target Company immediately before signing of the Equity Transfer Agreement (%)**	**Percentage of registered and paid-in capital of the Target Company immediately after signing of the Equity Transfer Agreement (%)**
Shenzhen Jiusi	60	24
Zhongjing	20	8
Shenzhen Baina	20	8
The Company	—	60

Upon signing of the Equity Transfer Agreement, the Company holds 60% equity interest in the Target Company. Accordingly, the Target Company becomes a non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the accounts of the Group. The remaining 40% equity interest in the Target Company will continue to be held by the Sellers in the proportion as shown in Table 1 above.

Consideration and the payment terms

The Consideration for the Acquisition is RMB360,000,000 (equivalent to approximately HKD409,090,909), which shall be settled by the Company in cash in the following tranches:

1) The first installment of the Consideration of RMB100,000,000 (equivalent to approximately HKD113,636,363) shall be paid to the Sellers within 15 days after signing of the Equity Transfer Agreement. The refundable deposit of RMB36,000,000 (equivalent to approximately HKD40,909,091) which has been previously paid by the Company to the designated account of the Target Company shall be deducted from the first installment, in the result the actual amount payable shall be RMB64,000,000 (equivalent to approximately HKD72,727,273) and shall be paid to the Sellers in proportion to their equity interest in the Target Company immediately before signing of the Equity Transfer Agreement as shown in Table 1 above.

2) The second installment of the Consideration of RMB260,000,000 (equivalent to approximately HKD295,454,546) shall be paid in the following tranches within 15 days after completion of the equity transfer registration with the relevant PRC local authority:

   a. RMB152,000,000 (equivalent to approximately HKD172,727,273) shall be paid to the Sellers in proportion to their equity interest in the Target Company immediately before signing of the Equity Transfer Agreement as shown in Table 1 above; and

   b. RMB108,000,000 (equivalent to approximately HKD122,727,273) shall be paid to a designated account of the Target Company and be accounted for as the Profit Guarantee Deposit.

If the 2016 Profit Guarantee, 2017 Profit Guarantee and 2018 Profit Guarantee (each as defined below) are met, the Sellers will be collectively entitled to 30%, 30% and 40% of the Profit Guarantee Deposit of RMB32,400,000 (equivalent to approximately HKD36,818,182), RMB32,400,000 (equivalent to approximately HKD36,818,182) and RMB43,200,000 (equivalent to approximately HKD49,090,909), respectively. Each tranche of the Profit Guarantee Deposit is payable by the Target Company on the fifth business days after 30 April in the following year, in proportion to the Sellers' equity interest in the Target Company immediately before signing of the Equity Transfer Agreement as shown in Table 1 above. If the Profit Guarantee in any relevant year is not met, the Target Company shall return the corresponding portion of the Profit Guarantee Deposit to the Company.

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; and (iii) the exclusive rights of the Target Company to distribute various imported ophthalmology products in the PRC.

The Consideration will be funded by the proceeds raised from initial public offering of the Group in April 2015 as well as the Company's own cash fund.

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 key conditions precedent:

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

(ii) the Sellers have sufficiently, accurately and completely disclosed all information of the Target Company to the Company;

(iii) the transactions contemplated under the Equity Transfer Agreement have been duly approved by the Board;

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

(v) there are no encumbrances on and title defects in the equity interest of the Target Company;

(vi) the Target Company is validly existing and has not taken any illegal actions;

(vii) the articles of association of the Target Company have been amended according to the provisions of the Equity Transfer Agreement and endorsed by the Company in writing and approved by all shareholders of the Target Company;

(viii) all other requisite consents, authorisations and approvals in connection with the entering into and performance of the terms of the Equity Transfer Agreement having been obtained by the respective parties to the Equity Transfer Agreement; and

(ix) all the information provided to the Company during the negotiation of the Equity Transfer Agreement and all of the undertakings or warranties made by the Sellers under the Equity Transfer Agreement are true, accurate and complete and none of them is untrue, misleading or amount to a material omission.

Profit Guarantees

Yearly Profit Guarantees

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

(1) the Net Profit of the Target Company for the year ended 31 December 2016 (the "**2016 Actual Profit**") shall not be less than RMB55,000,000 (equivalent to approximately HKD62,500,000) (the "**2016 Profit Guarantee**");

(2) the total profit generated directly and indirectly from the business activities of the Target Company for the year ended 31 December 2017 (the "**2017 Actual Profit**") shall not be less than RMB75,000,000 (equivalent to approximately HKD85,227,273) (the "**2017 Profit Guarantee**"); and

(3) the total profit generated directly and indirectly from the business activities of the Target Company for the year ended 31 December 2018 (the "**2018 Actual Profit**") shall not be less than RMB80,000,000 (equivalent to approximately HKD90,909,091) (the "**2018 Profit Guarantee**", together with the 2016 Profit Guarantee and 2017 Profit Guarantee, the "**Profit Guarantees**").

Monetary Compensation

If the 2016 Actual Profit, or the 2017 Actual Profit or the 2018 Actual Profit is lower than the Profit Guarantee for the relevant year, the Company shall have the right to request the Sellers to provide monetary compensation (the "**Monetary Compensation**") based on the following formula:

$$\text{Monetary Compensation for the relevant year} = \frac{\text{Profit Guarantee for the relevant year minus actual profit for the relevant year}}{\text{The total amount of the Profit Guarantees}} \text{ X } \text{Consideration, i.e., RMB360,000,000}$$

The Sellers' obligation to provide Monetary Compensation in a given year will not be triggered, if the 2016 Actual Profit or the 2017 Actual Profit is below the Profit Guarantee amount for the relevant year, but higher than 95% of the Profit Guarantee for the relevant year. The difference between the Profit Guarantee and the actual profit for the relevant year shall roll over and be included in the Profit Guarantee amount for the next year.

Further, incidental to the Equity Transfer Agreement, the general partner of each of the Sellers has executed a separate undertaking in favour of the Company to guarantee all obligations, undertakings and representations and warranties of each of the Sellers under the Equity Transfer Agreement.

INFORMATION ON THE GROUP

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

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated 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 ("**OVD Products**") 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 ten years, and the current exclusive distribution agreement is valid until 31 January 2021.

FINANCIAL INFORMATION OF THE TARGET COMPANY

For the nine-month period ended 30 September 2016, the audited revenue, profit before tax and net profit of the Target Company amounted to RMB124,186,000, RMB41,594,000, and RMB35,332,000, respectively.

As at 30 September 2016, the total assets of the Target Company was RMB204,369,000 (audited) (30 June 2016: RMB186,928,000 (unaudited)).

Set out below is profit before tax and net profit of the Target Company for the two financial years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014 *(Unaudited)*	**For the year ended 31 December 2015** *(Unaudited)*
Profit before tax	RMB10,310,000	RMB47,842,000
Net profit	RMB7,687,000	RMB40,666,000

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a leading company in China focusing on the research and development, manufacturing and sales of absorbable biomedical materials. The Company strategically targets the fast-growing therapeutic areas in the absorbable biomedical materials market in China, including ophthalmology, orthopedics, plastic surgery, anti-adhesion and hemostasis, and wound care. Among them, the main products in the field of ophthalmology are OVD Products, which can be used in cataract surgeries. The Group intends to gradually enter the high value-added industry of IOL Products, the core consumables for cataract surgery. The Target Company has favourable operating results in distributing IOL Products and OVD Products.

After the completion of the Acquisition, the Group plans to integrate respective products, technologies, channels and other resources of the Company and the Target Company, to jointly develop the huge market potential of IOL Products and other ophthalmic products.

The 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 of the Company and the Group as a whole.

INFORMATION ON 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.

INFORMATION ON ZHONGJING

Zhongjing is limited partnership established in the PRC with limited liability and is principally engaged in 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.

INFORMATION ON SHENZHEN BAINA

Shenzhen Baina is 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, marketing and project investment planning, equity investment and domestic trading.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The signing of the Equity Transfer Agreement constitutes inside information of the Company due to its strategic importance in the ophthalmology industry sector.

RESUMPTION OF TRADING

At the request of the Company, trading in the H shares of the Company on the Stock Exchange has been halted with effect from 1:00 p.m. on 15 November 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 16 November 2016.

DEFINITIONS

"Acquisition"	the acquisition of 60% equity interest in the Target Company from the Sellers
"Board"	the board of directors of the Company
"Consideration"	RMB360,000,000 (equivalent to approximately HKD409,090,909) representing the total consideration for Acquisition
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Directors"	the directors of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 15 November 2016, entered into by and between the Company and the Sellers in relation to the acquisition of 60% equity interest in the Target Company
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	The Listing Rules Governing the Listing of Securities on the Stock Exchange

"Net Profit"	the net profit of the Target Company after deductions of gains generated from the Profit Guarantee Deposit, and other non-recurring gains and losses
"PRC"	The People's Republic of China
"Profit Guarantees"	collectively refers to the 2016 Profit Guarantee, 2017 Profit Guarantee and 2018 Profit Guarantee
"Profit Guarantee Deposit"	the total amount of RMB108,000,000 (equivalent to approximately HKD122,727,273) which is payable in three tranches subject to the fulfillment of each of the Profit Guarantees
"Sellers"	Shenzhen Jiusi, Zhongjing and Shenzhen Baina , each being a company incorporated in the PRC with limited liability
"Shenzhen Baina"	深圳市百納通達投資管理合夥企業(有限合夥) (Shenzhen Baina Tongda Investment Management 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
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 incorporated in the PRC with limited liability
"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.

Note: For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB0.88=HKD1.00 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.

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

Shanghai, the PRC, 16 November 2016

As at the date of this announcement, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Huang Ming and Ms. Chen Yiyi; 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*