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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)

PROPOSED FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to the prospectus issued by Shanghai Haohai Biological Technology Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 20 April 2015 (the “**Prospectus**”) in relation to the placing and public offer (the “**Global Offering**”) of the Company’s H shares for the listing on the Main Board of The Stock Exchange of Hong Kong Limited and the announcement of Proposed Change in Use of Proceeds from the Global Offering dated 18 March 2016 (the “**Announcement of First Change in Use of Proceeds**”), as well as the circular containing (among other things) details for change in use of proceeds from the Global Offering dated 15 April 2016 (the “**Circular**”) and the ordinary resolution “to consider and, if thought fit, approve the change in use of proceeds from the Global Offering” which has been passed by way of poll by the Company at the Annual General Meeting on 3 June 2016. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Circular and the Announcement of First Change in Use of Proceeds.

First Change in Use of Proceeds from the Global Offering

According to the Announcement of First Change in Use of Proceeds and the Circular, as at 29 February 2016, the unutilized net proceeds of approximately HK\$1,803.34 million (equivalent to approximately RMB1,424.64 million using the exchange rate as at 29 February 2016) (“**Remaining Balance of Net Proceeds**”) were proposed to be used by Company for the following purposes (“**First Amended Allocation**”):

1. Approximately 30% of the Remaining Balance of Net Proceeds will be used in constructing new R&D centers, management centers and pharmaceutical and

medical device development centers, purchasing or constructing new production lines and new production equipment, and renovating and reforming production lines and production equipment at the production facilities of the Group (“**Constructing New Facilities and Purchasing New Production Equipment**”);

2. Approximately 55% of the Remaining Balance of Net Proceeds will be used in selectively acquiring or investing in suitable biomaterials, pharmaceutical or medical devices companies and companies providing medical and consulting services, as well as assets or business with a focus on upstream or downstream products which are complementary to the Group’s existing and potential product portfolio, and setting up and injecting additional capital into subsidiaries of the Group for conducting biomaterials, pharmaceutical or medical device business and medical and consulting services (“**Acquiring Suitable Business**”); and
3. Approximately 15% of the Remaining Balance of Net Proceeds will be used as working capital of the Company and its subsidiaries and for general corporate purposes (“**Working Capital**”).

As at 7 December 2016, approximately HK\$435.91 million (equivalent to approximately RMB386.74 million) of Net Proceeds remained unutilized (“**Second Remaining Balance of Net Proceeds**”). In addition, pursuant to the announcement of the Company dated 16 November 2016 in respect of the acquisition of 60% equity interests in an ophthalmology products trading company in Shenzhen, approximately RMB210.00 million of the consideration for transfer of the equity interests remained unpaid by the Company as at 7 December 2016, out of which RMB158.12 million is intended to be settled using the Second Remaining Balance of Proceeds. Table 1 below summarizes the use of Net Proceeds of the Company as of 7 December 2016:

Table 1

	First Amended Allocation on the Use of Net Proceeds		Utilized Net Proceeds up to 7 December 2016	Amount of Net Proceeds to be utilized as committed as at 7 December 2016	Second Remaining Balance of Net Proceeds
	(approximately HK\$ million)	(approximately RMB million)	(approximately RMB million)	(approximately RMB million)	(approximately RMB million)
1. Constructing New Facilities and Purchasing New Production Equipment	481.73	427.39	58.60	—	368.79
2. Acquiring Suitable Business	883.17	783.55	625.43	158.12	—
3. Working Capital	240.87	213.70	195.75	—	17.95
	1,605.77	1,424.64	879.78	158.12	386.74

THE SECOND PROPOSED REALLOCATION OF USE OF PROCEEDS

On 9 December 2016, the board of directors (the “**Board**”) of the Company has resolved to reallocate and change the use of the Second Remaining Balance of Net Proceeds (the “**Second Proposed Reallocation**”) of approximately RMB386.74 million (equivalent to HK\$435.91 million) as particularized in Table 2 below:

Table 2

	Proposed Reallocation (approximately RMB million)	Approximate Percentage of the Second Remaining Balance of Net Proceeds
(i) Constructing New Facilities and Purchasing New Production Equipment	38.00	10%
(ii) Acquiring Suitable Businesses	310.00	80%
(iii) Working Capital	38.74	10%
Total	386.74	100%

REASONS FOR THE SECOND PROPOSED REALLOCATION

The delay of construction plan due to tight supply of land

The Company notes that due to tight supply of land in the PRC, the plan of the Group to construct new R&D centers, management centers and pharmaceutical and medical device development centers on the land purchased through auction as originally expected has to be postponed to wait for the right time. Currently, no exact schedule is set for these construction plans.

Accelerated implementation of acquisition strategies

As the State Council has called for the innovation and upgrading of the medical and pharmaceutical industry in the PRC, the Group is actively looking for potential acquisition or investment targets which can bring synergies with the products of the Group in response to the new policy of the State Council and to cope with the fast

changing market conditions. The Group expects that the funds for Acquiring Suitable Businesses will substantially exceed those allocated by the First Amended Allocation in the future. To better utilize the Second Remaining Balance of Net Proceeds (as particularized in Table 1) and accelerate the acquisition strategies of the Group, the Company intends to reallocate the Second Remaining Balance of Net Proceeds accordingly.

After considering the above factors and the utilisation status of the Second Remaining Balance of Net Proceeds in Table 1, the Company intends to reallocate the funds for Constructing New Facilities and Purchasing New Production Equipment, in part, towards: (i) Acquiring Suitable Businesses, the proportion of which is increased to approximately 80% upon this amendment from 55% in the First Amended Allocation to accelerate Acquiring Suitable Businesses; (ii) Working Capital, the proportion of which is approximately 10% upon this amendment for the day-to-day operations of the Company and its subsidiaries (as particularized in Table 2). After this amendment, the allocation for Constructing New Facilities and Purchasing New Production Equipment will be reduced to approximately 10% from 15% in the First Amended Allocation.

The Board has considered the impact on the Group's business arising from the above change in the use of the Second Remaining Balance of Net Proceeds. The Board believes that the Second Proposed Reallocation will be more in line with the current business needs of the Company and is beneficial to the continued and rapid development of the Group. The Second Proposed Reallocation will allow the Company to deploy its financial resources more effectively and the Board considers that the Second Proposed Reallocation will strengthen the Group's market position as an integrated player in the industry. The Board confirms that there is no material change in the nature of business as set out in the Prospectus and considers that the Second Proposed Reallocation is in the best interest of the Company and its shareholders as a whole.

OTHER MATTERS

According to the articles of association of the Company and the relevant laws and regulations, the Second Proposed Reallocation is subject to the approval of the shareholders of the Company by way of ordinary resolution at the general meeting of the Company. The Board has resolved at the Board meeting held today that an ordinary resolution to consider and approve the Second Proposed Reallocation and to authorize the Board and its authorized persons to carry out such other related matters will be proposed at the extraordinary general meeting of the Company (the "EGM")

to be convened by the Board in due course. A circular containing, among other things, the details in relation to the Second Proposed Reallocation and a notice in respect of the EGM will be despatched to the shareholders of the Company in due course.

Note: For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB0.8872=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, 9 December 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*