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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)**

### **DISCLOSEABLE TRANSACTION AND INSIDE INFORMATION ACQUISITION OF 70% SHARE CAPITAL IN A CONTACT LENS AND INTRAOCULAR LENS MATERIALS MANUFACTURING COMPANY IN THE UK**

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 13 April 2017 (after the Stock Exchange's trading hours), Haohai Healthcare Holdings (BVI) Co., Ltd., an indirect wholly-owned subsidiary of the Company, and the Sellers entered into a Share Purchase Agreement pursuant to which the Sellers agreed to sell 70% of the share capital in a UK contact lens and intraocular lens materials manufacturing company to Haohai Healthcare Holdings (BVI) Co., Ltd. for a consideration of £24,500,000 (equivalent to approximately HKD241,080,000) (subject to adjustment as provided in the Share Purchase Agreement).

As some of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25% (and the remaining applicable percentage ratios are below 5%), 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.

## **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 13 April 2017 (after the Stock Exchange’s trading hours), the Purchaser and the Sellers entered into the Share Purchase Agreement pursuant to which the Sellers agreed to sell 70% of the share capital in the Target Company, a UK contact lens (“CL”) and intraocular lens (“IOL”) materials manufacturing company, to the Purchaser.

## **SHARE PURCHASE AGREEMENT**

Principal terms of the Share Purchase Agreement are as follows:

### **Date**

13 April 2017 (after the Stock Exchange’s trading hours)

### **Parties**

1. The Purchaser, as the purchaser
2. Simon David Wyatt, Robert John McGregor, Robert Edward Lewis and John Alexander McGregor, collectively as the “Sellers”

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Sellers is a third party independent of the Company and its connected persons.

### **Assets to be acquired**

Pursuant to the Share Purchase Agreement, the Purchaser agreed to purchase, and the Sellers agreed to sell in aggregate 70% of the share capital in the Target Company with each Seller selling to the Purchaser the shareholding percentage specified opposite the name of that Seller in the following table (the “**Shareholding Table**”):

<b>Name</b>	<b>Shareholding percentage to be sold at Closing</b>	<b>Shareholding percentage remaining after Closing</b>
Simon David Wyatt	10.5%	4.5%
Robert John McGregor	28%	12%
Robert Edward Lewis	10.5%	4.5%
John Alexander McGregor	21%	9%

Upon Closing, the Purchaser will hold 70% of the share capital in the Target Company. Accordingly, the Target Company will become 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 30% share capital in the Target Company will continue to be held by the Sellers in the proportion as shown in the Shareholding Table.

### **Purchase Price and the payment terms**

The Purchase Price for the Acquisition is £24,500,000 (equivalent to approximately HKD241,080,000) (subject to adjustment as provided in the Share Purchase Agreement), which shall be settled by the Purchaser in cash in the following tranches:

- (1) The Purchaser will pay to the Sellers £15,000,000 (the “**Initial Payment**”) on Closing;
- (2) The Purchaser will pay £9,500,000 (the “**HK Deposited Funds**”) to the Purchaser’s HK Account on Closing and the Purchaser undertakes with the Sellers that it shall not apply the funds within the Purchaser’s HK Accounts for any other purpose before the Adjusted Second Payment and the Adjusted Third Payment are settled. Among the HK Deposited Funds:
  - (i) £3,800,000 (the “**Second Payment**”), net of the 2017 Reduction Amount (the Second Payment less the 2017 Reduction Amount being the “**Adjusted Second Payment**”), shall be paid to the Sellers within 30 Business Days of the 2017 PBT being ascertained; and
  - (ii) £5,700,000 (the “**Third Payment**”), net of the 2018 Reduction Amount (the Third Payment less the 2018 Reduction Amount being the “**Adjusted Third Payment**”), shall be paid to the Sellers within 30 Business Days of the 2018 PBT being ascertained.

If the 2017 PBT is less than £2,790,000 (being 90% of £3,100,000), the Second Payment shall be reduced by a sum equal to the amount by which the 2017 PBT is less than £3,100,000 multiplied by ten (10) times, subject to a maximum reduction of £3,800,000 (the “**2017 Reduction Amount**”).

If the 2018 PBT is less than £4,140,000 (being 90% of £4,600,000), the Third Payment shall be reduced by a sum equal to the amount by which the 2018 PBT is less than £4,600,000 multiplied by ten (10) times, subject to a maximum reduction of £5,700,000 (the “**2018 Reduction Amount**”).

The Purchase Price has been arrived at after arm's length negotiations between the parties to the Share Purchase Agreement, with reference to (i) the historical operating performance of the Target Company; (ii) the Target Company's established and mature distribution network in CL and IOL materials market globally; and (iii) the profit guarantees provided by the Sellers (as more particularly described below).

The Purchase Price 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.

### **Profit Guarantees**

Pursuant to the Share Purchase Agreement:

- (1) if the 2017 PBT is less than £2,790,000 (being 90% of £3,100,000), the Second Payment shall be reduced by a sum equal to the 2017 Reduction Amount; and
- (2) if the 2018 PBT is less than £4,140,000 (being 90% of £4,600,000), the Third Payment shall be reduced by a sum equal to the 2018 Reduction Amount.

For the avoidance of doubt, £3,100,000 is not a forecast by the Target Company, the Sellers or the Purchaser of the Target Company's profit for the year ended 31 August 2017 and £4,600,000 is not a forecast by the Target Company, the Sellers or the Purchaser of the Target Company's profit for the year ended 31 August 2018.

### **Closing and closing conditions**

Closing shall take place at 10:00 a.m. on the third Business Day after the date on which the last of the following conditions precedent is satisfied or waived (or at such other place, at such other time and/or on such other date as the Sellers and the Purchaser may agree):

- (i) no decree, regulation, rule or decision having been made, issued or adopted from or by any government or regulatory authority to prohibit or impose any restriction on the Closing;
- (ii) all requisite corporate and regulatory approvals having been obtained in respect of the transactions contemplated under the Transaction Documents, including the PRC regulatory approvals for the payment of the Purchase Price;
- (iii) the Target Company's existing B shares having been purchased by the Target Company at nominal value and cancelled and all relevant filings in relation thereto having been made at the UK Companies House and an agreed form of the amended and restated articles of association of the Target Company having been duly adopted to such effect;

- (iv) a waiver letter in agreed form having been duly signed by a UK bank to consent to the transactions contemplated under the Share Purchase Agreement and waive any rights it has or may have under the loan agreement dated 10 June 2015 between itself and the Target Company as a result of the transactions contemplated under the Share Purchase Agreement;
- (v) the executive service agreements of the Sellers having been amended into an agreed form effective upon Closing; and
- (vi) the BP Schemes Reserve Account having been opened in accordance with the Share Purchase 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 United Kingdom with limited liability and is principally engaged in manufacturing CL and IOL materials, including silicone hydrogel materials, gas permeable materials, hydrophilic lens materials, and hydrophobic and hydrophilic intraocular lens materials.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

As at 28 February 2017, the unaudited total assets of the Target Company was £12,736,832.

Set out below is profit before tax and profit after tax of the Target Company for the two financial years ended 31 August 2015 and 2016:

	<b>For the year ended 31 August 2015</b>	<b>For the year ended 31 August 2016</b>
	<i>(Audited)</i>	<i>(Audited)</i>
Profit before tax	£666,698	£2,721,377
Profit after tax	£694,626	£2,344,448

## **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 orthopedics, medical aesthetics, ophthalmology, surgical hemostasis, post-surgery anti-adhesion and wound care. Amongst them, the Group has entered into the IOL industry in the field of ophthalmology. The completion of the Acquisition will help the Group to secure long term and stable upstream IOL material supplier and enhance the research and development of new IOL products. The Target Company has favourable operating results in manufacturing and distributing IOL and CL materials.

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 materials.

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 THE SELLERS**

Each of Simon David Wyatt, Robert John McGregor, Robert Edward Lewis and John Alexander McGregor is a UK national.

## **LISTING RULES IMPLICATIONS**

As some of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25% (and the remaining applicable percentage ratios are below 5%), 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 Share Purchase Agreement constitutes inside information of the Company due to its strategic importance in the IOL industry sector.

## DEFINITIONS

In this announcement, unless the context otherwise defines, the following terms shall have the meaning set out below:

“2017 Adjustment Period”	the year ending on 31 August 2017
“2017 Reduction Amount”	has the meaning ascribed to it in this announcement
“2017 PBT”	the consolidated operating profits of the Target Company and its subsidiaries before tax for the 2017 Adjustment Period, as ascertained in accordance with the Share Purchase Agreement
“2018 Adjustment Period”	the year ending on 31 August 2018
“2018 Reduction Amount”	has the meaning ascribed to it in this announcement
“2018 PBT”	the consolidated operating profits of the Target Company and its subsidiaries before tax for the 2018 Adjustment Period, as ascertained in accordance with the Share Purchase Agreement
“Acquisition”	the acquisition of 70% equity interest in the Target Company from the Sellers
“Adjusted Second Payment”	has the meaning ascribed to it in this announcement
“Adjusted Third Payment”	has the meaning ascribed to it in this announcement
“Board”	the board of directors of the Company
“BP schemes Reserve Account”	an interest bearing deposit in the name of the Target Company with the account name “Project Eye BP Schemes Reserve” and of which the two joint signatories shall be the Sellers’ representative and the Purchaser or such other account as the Sellers’ representative and the purchaser may from time to time designate

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“CL”	has the meaning ascribed to it in this announcement
“Closing”	Completion of the sale and purchase of the 70% share capital in the Target Company in accordance with the Share Purchase Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Deposited Funds”	has the meaning ascribed to it in this announcement
“Initial Payment”	has the meaning ascribed to it in this announcement
“IOL”	has the meaning ascribed to it in this announcement
“Listing Rules”	The Listing Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	The People’s Republic of China, which expression for the purpose of the announcement, except where the context requires otherwise, does not include Hong Kong, Macau and Taiwan
“Purchase Price”	£24,500,000 (equivalent to approximately HKD241,080,000) (subject to adjustment as provided in the Share Purchase Agreement) representing the total consideration for Acquisition
“Purchaser”	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



“Purchaser’s HK Account”	a bank account opened in the name of the Purchaser at a local bank in Hong Kong
“Second Payment”	has the meaning ascribed to it in this announcement
“Sellers”	Simon David Wyatt, Robert John McGregor, Robert Edward Lewis and John Alexander McGregor
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the agreement for the sale and purchase of the share capital of Contamac Holdings Limited dated 13 April 2017 entered into by and between the Purchaser and the Sellers in relation to the acquisition of 70% share capital in the Target Company
“Shareholding Table”	has the meaning ascribed to it in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Contamac Holdings Limited, a company incorporated in the UK with limited liability
“Third Payment”	has the meaning ascribed to it in this announcement
“Transaction Documents”	the Share Purchase Agreement and the documents referred to in it and any other agreements executed or to be executed in connection with the transactions contemplated thereunder
“UK”	the United Kingdom
“%”	per cent.
“£”	pounds sterling, the lawful currency of the United Kingdom

*Note: For the purpose of this announcement, unless otherwise indicated, the exchange rate at £1.00=HKD9.84 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, 13 April 2017

*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*