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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 ACQUISITION OF EQUITY INTERESTS AND CAPITAL INJECTION IN TARGET COMPANY AND GRANT OF PUT OPTION

THE ACQUISITION AND THE CAPITAL INJECTION

The Board is pleased to announce that, on 21 February 2021, the Company entered into:

- (a) the Share Purchase Agreements with, among others, the Vendor Shareholders, under which the Company has conditionally agreed to purchase, and the Vendor Shareholders have conditionally agreed to sell, an aggregate of approximately 38.23% of the equity interests in the Target Company for RMB135,000,000 (the “**Acquisition**”); and
- (b) the Capital Injection Agreement with, among others, the Target Company, under which the Company has conditionally agreed to contribute RMB70,000,000 to the capital of the Target Company (the “**Capital Injection**”) such that, following the Acquisition and the Capital Injection, the Company will hold 63.64% of the total equity interests in the Target Company.

Option Pool

It is contemplated that a limited partnership serving as an option pool (“**Option Pool**”) will be established by the Founding Shareholders and the Company to provide equity incentive for the Founding Shareholders and other core management of the Target Company. 6.36% and 3.64% equity interests of the Target Company will be transferred from the Founding Shareholders and the Company respectively to the Option Pool (the “**Transfer**”) at nil or the lowest consideration permissible by laws of the PRC. As one of the conditions precedent to Capital Injection Completion, the limited partnership serving as the Option Pool will have to be established and documents relating to the limited partnership (including agreements relating to the aforementioned transfers) will have to be signed before Capital Injection Completion.

Grant of Put Option

Pursuant to the Capital Injection Agreement, if the net profit of the Target Company in 2021, 2022 and 2023 is not less than RMB6 million, RMB18 million and RMB30 million (the “**Performance Targets**”), respectively, within three months from the date of issuance of the Target Company’s 2023 audit report, the Founding Shareholders shall have the option (the “**Put Option**”) to require the Company to acquire all the equity interests of the Target Company held by the Founding Shareholders in cash or by issuing consideration shares.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Pursuant to Rule 14.73 of the Hong Kong Listing Rules, the grant of an option by a listed issuer is regarded as a transaction. Since the Put Option is regarded as an option granted to the Founding Shareholders and the exercise of which is not at the Company’s discretion, pursuant to Rule 14.74(1) of the Hong Kong Listing Rules, the grant of the Put Option will be classified as if the Put Option had been exercised.

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreements and the Capital Injection Agreement (in aggregate) exceed 5% but are all below 25%, the Acquisition, the Capital Injection and the grant of the Put Option collectively constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 21 February 2021, the Company entered into:

- (a) the Share Purchase Agreements with, among others, the Vendor Shareholders, under which the Company has conditionally agreed to purchase, and the Vendor Shareholders have conditionally agreed to sell, an aggregate of approximately 38.23% of the equity interests in the Target Company for RMB135,000,000; and
- (b) the Capital Injection Agreement with, among others, the Target Company, under which the Company has conditionally agreed to contribute RMB70,000,000 to the capital of the Target Company such that, following the Acquisition and the Capital Injection, the Company will hold 63.64% of the total equity interests in the Target Company.

THE SHARE PURCHASE AGREEMENTS

Date: 21 February 2021

Parties: the Company;
Vendor Shareholders; and
Founding Shareholders.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor Shareholders and the Founding Shareholders and their respective ultimate beneficial owners, are third parties independent of the Company and its connected persons.

Acquisition

Pursuant to the Share Purchase Agreements, the Company has conditionally agreed to purchase and the Vendor Shareholders have conditionally agreed to sell an aggregate of approximately 38.23% of the equity interests in the Target Company.

Acquisition Consideration

The Acquisition Consideration is RMB135,000,000 and is payable on the day of the Acquisition Completion.

The Acquisition Consideration was determined after arm's length negotiation among the parties to the Share Purchase Agreement with reference to the unaudited net asset value of the Target Group as at 31 December 2019. The Acquisition Consideration shall be payable in cash and the Company will use its internal resources to satisfy such consideration.

Completion and conditions precedent

The Acquisition Completion will take place within 10 business days following the satisfaction or waiver of the conditions precedent under the relevant Share Purchase Agreement.

The Acquisition Completion under the relevant Share Purchase Agreement is conditional upon, among other things,

- (a) the representations and warranties of all parties to the Share Purchase Agreement remaining true and accurate; and
- (b) the approval, consent, permission, registration and filing from or with the relevant and competent authority required to complete the transaction have been obtained or completed.

THE CAPITAL INJECTION AGREEMENT

Date: 21 February 2021

Parties: the Company;
the Target Company; and
the Founding Shareholders.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Target Company and the Founding Shareholders and their respective ultimate beneficial owners, are third parties independent of the Company and its connected persons.

Capital Injection

Pursuant to the Capital Injection Agreement, the Company has conditionally agreed to contribute RMB70,000,000 (RMB52,025,944 of which will be accounted by the Target Company as registered capital) in the capital of the Target Company such that, following the Acquisition and the Capital Injection, the Company will hold 63.64% of the total equity interests in the Target Company.

The amount of Capital Injection

The amount of Capital Injection is RMB70,000,000 and is payable on the day of the Capital Injection Completion.

The amount of Capital Injection was determined after arm's length negotiation among the parties to the Capital Injection Agreement with reference to the unaudited net asset value of the Target Group as at 31 December 2019. The amount of Capital Injection shall be payable in cash and the Company will use its internal resources to satisfy such consideration.

Completion and conditions precedent

The Capital Injection Completion will take place on the fifth business days following the satisfaction or waiver of the conditions precedent under the Capital Injection Agreement.

The Capital Injection Completion under the Capital Injection Agreement is conditional upon, among other things:

- (a) the Share Purchase Agreements and the Capital Injection Agreement have been properly signed and became effective, and the Acquisition has been completed;
- (b) the Founding Shareholders have completed the acquisition of all the equity interests held by minority shareholders of all subsidiaries of the Target Company principally engaged in sales and have completed the industrial and commercial modification registration;

- (c) the limited partnership serving as the Option Pool has been established, with the Founding Shareholders holding 63.6% partnership interests and the Company holding 36.4% partnership interests, and documents relating to the limited partnership and the Transfer have been signed;
- (d) the Capital Injection has been approved both internally and externally by parties;
- (e) all shareholders of the Target Company have waived their pre-emptive right to subscribe at the Capital Injection;
- (f) the Founding Shareholders and the Target Company have provided the Company with the Target Company's shareholders' written resolutions approving the Capital Injection;
- (g) all parties have signed the articles of association of the Target Company to be adopted after the Capital Injection;
- (h) all parties have agreed on the Performance Targets, and the Founding Shareholders and the Target Company have devised an equity incentive plan to the Company's satisfaction;
- (i) the Founding Shareholders and the Target Company have not engaged in, allowed or facilitated any actions or omissions before the date of the Capital Injection Completion that would constitute or cause a breach of any representations and warranties under the Capital Injection Agreement;
- (j) the representations and warranties made by the Founding Shareholders and the Target Company under the Capital Injection Agreement remaining true, accurate, complete and not misleading;
- (k) the core employees of the Target Group have signed with the Target Group employment agreements, confidentiality agreements, intellectual property ownership agreements and non-competition agreement with a term of not less than three years to the Company's satisfaction;
- (l) the Company has completed the due diligence on the Target Group, and the Company, the Founding Shareholders and the Target Company have resolved the major issues discovered during the due diligence process, or have formulated a mutually acceptable and implementable solution for the foregoing major issues;
- (m) as of the date of the Capital Injection Completion, no material adverse changes have occurred to any member of the Target Group; and
- (n) as of the date of the Capital Injection Completion, there are no applicable laws, judgments, rulings, injunctions or orders of government agencies that restrict, prohibit or terminate the Capital Injection, and there are no or no reasonably foreseeable lawsuits, arbitrations, judgments, awards, injunctions or orders that may have any unfavorable effects that have or will have an adverse effect on the Capital Injection; in addition, the completion of the Capital Injection will not cease or adversely affect the ongoing operations, businesses or transactions of any member of the Target Group.

Board composition of Target Company

After the completion of the Acquisition and the Capital Injection, the board of directors of the Target Company shall consist of five directors, of which the Company shall be entitled to nominate three directors and the Founding Shareholders shall be entitled to nominate two directors. The chairman of the board of directors of the Target Company shall be one of the directors nominated by the Company and shall also act as the legal representative of the Target Company.

Option Pool

It is contemplated that a limited partnership serving as an option pool will be established by the Founding Shareholders and the Company to provide equity incentive for the Founding Shareholders and other core management of the Target Company. 6.36% and 3.64% equity interests of the Target Company will be transferred from the Founding Shareholders and the Company respectively to the Option Pool at nil or the lowest consideration permissible by laws of the PRC. As one of the conditions precedent to the Capital Injection Completion, the limited partnership serving as the Option Pool will have to be established and documents relating to the limited partnership (including agreements relating to the aforementioned transfers) will have to be signed before Capital Injection Completion.

The equity interest holding structure of the Target Company immediately after (i) the Acquisition Completion; (ii) the Capital Injection Completion; (iii) and the Transfer is set out below:

	Equity interest holding of the Target Company		
	Immediately after the Acquisition Completion	Immediately after the Capital Injection Completion	Immediately after the Transfer
The Founding Shareholders	61.77%	36.36%	30%
The Company	38.23%	63.64%	60%
Option Pool	—	—	10%
Total	100%	100%	100%

Grant of Put Option

Pursuant to the Capital Injection Agreement, if the net profit of the Target Company in 2021, 2022 and 2023 is not less than RMB6 million, RMB18 million and RMB30 million, respectively, within three months from the date of issuance of the Target Company's 2023 audit report, the Founding Shareholders shall have the option to require the Company to acquire all the equity interests of the Target Company held by the Founding Shareholders in cash or by issuing consideration shares. The exercise price of the Put Option shall be calculated using the formula below and shall be capped at RMB750 million:

The audited net profit attributable to owners of the parent of the Target Company for 2023 (less net profit/loss attributable to noncontrolling shareholders in non-wholly-owned subsidiaries)* not less than $15 * 30\%$

For the avoidance of doubt, none of the Performance Targets represent the expected level of the future profit of the Target Company and do not constitute a profit forecasts under Rule 14.61 of the Hong Kong Listing Rules.

INFORMATION ON THE COMPANY

The Company is a joint stock company incorporated in the PRC with limited liability. The businesses of the Company include the manufacture and sales of biological, medical hyaluronate and ophthalmology products, the research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

INFORMATION ON THE TARGET GROUP, THE FOUNDING SHAREHOLDERS AND THE VENDOR SHAREHOLDERS

The Target Group is principally engaged in the business of medical aesthetics, professional life cosmetology and home cosmetology. The Target Group has three product lines which are radio frequency ("RF") aesthetics instruments, hyaluronic acid and chitosan biomaterials, and laser skin-aesthetics devices covered with sales team of each.

Based on the unaudited consolidated financial information of the Target Company prepared in accordance with PRC accounting standards for business enterprises for the nine months ended 30 September 2020, the net asset value of the Target Company was approximately RMB233,461,500 as at 30 September 2020. Set out below is the net profit/loss (before and after taxation) of the Target Group respectively of the years ended 31 December 2018 and 31 December 2019 and the nine months ended 30 September 2020.

	For the year ended 31 December 2018 (RMB)	For the year ended 31 December 2019 (RMB)	For the nine months ended 30 September 2020 (RMB)
Net profit/loss before taxation	2,775,000	-8,261,000	-5,867,000
Net profit/loss after taxation	-169,000	-8,322,000	-5,488,000

Each of the Founding Shareholders, Chen Guangfei (陳廣飛), Lian Songyong (連松泳) and Yuan Yibing (苑一兵), is a PRC citizen. The Founding Shareholders are third parties independent of the Company and its connected persons.

Welly Bloom Limited, one of the Vendor Shareholders, is a limited liability company incorporated in Hong Kong and was incorporated for the purpose of investing in the Target Company. It is wholly-owned by Highlight Capital Partner I L.P., a limited partnership established in the Cayman Islands. The general partner of Highlight Capital Partner I L.P. is Highlight Capital GP I Company Limited ultimately controlled by Wang, Stephen Hui.

Refined Beauty Limited, one of the Vendor Shareholders, is a limited liability company incorporated in Hong Kong and was incorporated for the purpose of investing in the Target Company. It is controlled by Cathay Capital North American-Sino Fund (Collector), a limited partnership registered in the Cayman Islands, the general partner of which is Cathay Capital NA LLC ultimately controlled by Mark Woods.

The Vendor Shareholders and their ultimate beneficial owners are third parties independent of the Company and their connected parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND CAPITAL INJECTION

The purpose of the Transaction is to expand the Company's medical aesthetics business from "medical end" to "consumer end". In terms of technology research and development, the transaction will further supplement and diversify the Company's core polysaccharide crosslinking technology, leading to a differentiated product positioning; it will also enhance the Company's innovation and research and development capacity by offering multivariate phase-controlled RF technology and vertical-cavity surface-emitting semiconductor laser technology. In terms of product portfolio, both the Company and the Target Company will jointly build a complete business matrix comprising of three major sectors of medical aesthetics, living beauty and home cosmetology, covering three main categories of biomaterials, medical apparatus and skin care products. In terms of sales team, both the Company and the Target Company will turn their accumulation of technologies into differentiated products to satisfy consumers' customized needs, benefiting from integration of both parties' direct sales team and e-commerce team at home and abroad.

The Directors are of the view that the terms of the Share Purchase Agreements and the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Pursuant to Rule 14.73 of the Hong Kong Listing Rules, the grant of an option by a listed issuer is regarded as a transaction. Since the Put Option is regarded as an option granted to the Founding Shareholders and the exercise of which is not at the Company's discretion, pursuant to Rule 14.74(1) of the Hong Kong Listing Rules, the grant of the Put Option will be classified as if the Put Option had been exercised.

As one or more of the applicable percentage ratios in respect of the Share Purchase Agreements and the Capital Injection Agreement (in aggregate) exceed 5% but are all below 25%, the Acquisition, the Capital Injection and the grant of the Put Option collectively constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The completion of the Acquisition and the Capital Injection is subject to the satisfaction and/or waiver (where applicable) of conditions precedent under the Share Purchase Agreements and the Capital Injection Agreement respectively, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“Acquisition Completion”	the completion of the sale and purchase of the equity interests in the Target Company under the Share Purchase Agreements
“Acquisition Consideration”	the consideration for the Acquisition
“Board”	the board of Directors
“Capital Injection Agreement”	the capital injection agreement dated 21 February 2021 entered into among the Company, the Founding Shareholders and the Target Company in respect of the Capital Injection
“Capital Injection Completion”	the completion of the Capital Injection as contemplated under the Capital Injection Agreement
“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 Hong Kong Stock Exchange (Stock Code: 6826) and the Sci-Tech Innovation Board of the Shanghai Stock Exchange (Stock Code: 688366), respectively
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Founding Shareholders”	Chen Guangfei (陳廣飛), Lian Songyong (連松泳) and Yuan Yibing (苑一兵)
“Group”	the Company and its subsidiaries (after completion, including the Target Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Share Purchase Agreements”	the share purchase agreements dated 21 February 2021 entered into among the Company, the Founding Shareholders and the Vendor Shareholders in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Ouhua Meike (Tianjin) Medical Technology Co., Ltd.* (歐華美科(天津)醫學科技有限公司), a company established under the laws of the PRC
“Target Group”	the Target Company and its subsidiaries
“Transaction”	the transaction contemplated under the Share Purchase Agreements and the Capital Injection Agreement
“Vendor Shareholders”	Welly Bloom Limited and Refined Beauty Limited
“%”	per cent

* *English name for identification purpose only.*

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

Shanghai, the PRC, 21 February 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*