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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)

**CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING EQUITY INTEREST IN
A NON-WHOLLY-OWNED SUBSIDIARY**

The Board is pleased to announce that on 31 July 2023, the Purchaser, the Vendors and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell an aggregate of 36.3636% of the equity interest in the Target Company (a non-wholly-owned subsidiary of the Company which the Company owns 63.6364% of its equity interest) at a total Consideration of RMB152,727,100. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge after making all reasonable enquiries, as at the date of this announcement, four of the Vendors are connected persons of the Company at the subsidiary level.

Given that the Acquisition involves simultaneous acquisitions of an aggregate of 36.3636% of the equity interest in the Target Company from the Vendors, the acquisitions from different Vendors were treated as a single transaction, and it constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (1) four of the Vendors are connected persons of the Company at the subsidiary level; (2) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

In September 2021, the Company completed the acquisition of 63.6364% of the total equity interest in the Target Company (the “**Previous Investment**”). The Target Company is currently a non-wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 21 February 2021 in relation to, among other things, the acquisition of equity interest and capital injection in the Target Company for further details.

On 31 July 2023, the Purchaser, the Vendors and the Target Company entered into the Equity Transfer Agreement pursuant to which the Vendors agreed to sell their remaining 36.3636% of the equity interest in the Target Company to the Purchaser.

For the avoidance of doubt, the Acquisition constitutes a separate transaction for the remaining interest in the Target Company, and is not part of the implementation of the Previous Investment.

EQUITY TRANSFER AGREEMENT

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

Date

31 July 2023

Parties

- (1) The Company, as the Purchaser
- (2) Mr. Yuan, Mr. Chen, Mr. Lian, Shanghai Ermei and Tianjin Huacan, collectively as the Vendors
- (3) The Target Company

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to acquire and the Vendors agreed to sell an aggregate of 36.3636% of the equity interest in the Target Company as shown in the following table:

Vendors	Percentage of equity interest in the Target Company to be sold (%)	Consideration (RMB)
Mr. Yuan	6.6000	27,720,000
Mr. Chen	11.8800	49,896,000
Mr. Lian	7.9200	33,264,000
Shanghai Ermei	6.3636	26,727,100
Tianjin Huacan	3.6000	15,120,000
Total	36.3636	152,727,100

Upon Completion, the Target Company will be a wholly-owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Target Company will continue to be consolidated into the accounts of the Group.

Conditions Precedent

Completion shall take place within 10 Business Days upon satisfaction or waiver of the following Conditions Precedent:

- (a) the approval of the Acquisition by the registered limited partners of Shanghai Ermei and Tianjin Huacan as at the date of the Equity Transfer Agreement having been obtained; and
- (b) the approval of the Acquisition by the Board having been obtained.

Completion

The Completion is the date on which the Company pays 70% of the Consideration.

At Completion:

- (a) the parties shall seal up the existing legal seal of the Target Company for safe custody, and adopt a new legal seal; and
- (b) the Target Company shall provide the updated register of shareholders and investment certificate to the Company.

The Target Company shall complete the procedures for the alteration of industry and commerce registrations within 30 Business Days after the Completion.

From the date of Completion, the Company shall enjoy all the shareholders' rights regarding the equity interest in the Target Company acquired pursuant to the Acquisition.

Consideration

The total amount of the Consideration is RMB152,727,100, which shall be paid by the Company in the following manner:

- (a) at Completion, the Company shall pay to the Vendors an aggregate of RMB106,909,000, being 70% of the Consideration, in proportion to their equity interest to be sold by remittance to the bank accounts designated by the Vendors; and
- (b) within three months after the Completion and if the following conditions are satisfied or waived, the Company shall pay to the Vendors RMB45,818,100, being the remaining 30% of the Consideration, in proportion to their equity interest to be sold by remittance to the bank accounts designated by the Vendors:
 - (i) the alteration of industry and commerce registrations in respect of the equity transfer have been completed;

- (ii) the list of the then legal representatives, directors, supervisors and senior management (being the general manager and the head of the finance department for the purpose of the Equity Transfer Agreement) of the Target Group and the resignation letter of Mr. Yuan from all positions held in the Target Group having been emailed to the Target Company within one month after the Completion; and
- (iii) the Vendors having handovered the documents, information and data of the Target Group specified in the Equity Transfer Agreement within one month after the Completion.

The Consideration was determined and agreed between the parties after arms' length negotiations and with reference to the appraised fair value of the entire equity interest in the Target Company of RMB421,690,000 as of 30 June 2023. 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) (the "Valuer"), a qualified independent valuer, using the market approach with enterprise value to earnings before interest and taxes ("EV/EBIT") as the valuation multiple, which in turn was based on the unaudited consolidated EBIT of the Target Company for the last 12 months ended 30 June 2023 of approximately RMB24,399,000 and the average EV/EBIT multiple of 16.35 (which is comparable to the median EV/EBIT multiple of 15.20) and adding the net non-recurring items of the Target Company of approximately RMB22,666,000.

The Directors have discussed with the Valuer regarding the selection of the six comparable transactions and are given to understand that the comparable transactions were selected mainly with reference to the following selection criteria: (i) the transactions were closed on or after 1 January 2021; (ii) the acquirers were PRC companies listed in China, Hong Kong or US stock exchange; (iii) the acquirees were mainly engaged in design, manufacturing or sales of medical devices in the PRC; and (iv) sufficiency of information of the acquirees disclosed (such as availability of financial information).

The Directors believe that EV/EBIT multiple is a commonly adopted multiple and is a better tool for gauging the value of the Target Company in this case since it has subsidiaries in Israel and France and the use of the EV/EBIT multiple will allow effective comparison of value of companies with different tax rates and different capital structure.

In arriving at the valuation of the Target Company, it has been assumed that, among other things, that (i) there will be no material changes in the existing political, legal, fiscal or economic conditions in which the Target Company is carried or plans to be carried on; (ii) the Target Company continues to operate as a going concern; and (iii) there has been no material change to the purchasing power of the local currency (i.e. RMB) since the valuation date.

In view of the above, the Directors considered that the methodology, key assumptions and parameters adopted in the valuation of Target Company are fair and reasonable.

According to the Vendors, the original acquisition costs of the 36.3636% of the equity interest in the Target Company was approximately RMB32,363,404, which is not directly related to the determination of the Consideration.

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

Arrangements regarding Option Pool

Pursuant to the capital injection agreement dated 21 February 2021 entered into among the Purchaser, the Founding Shareholders and the Target Company, and the subsequent shareholders' resolutions of the Target Company, (i) the Founding Shareholders shall establish a limited partnership to serve as an option pool to provide equity incentive for the Founding Shareholders and the other core management of the Target Company (the "**Option Pool**"); and (ii) the Founding Shareholders and the Purchaser shall transfer 6.36% and 3.64% equity interest in the Target Company to the Option Pool, respectively.

Subsequently, Shanghai Ermei was established by the Founding Shareholders to serve as the Option Pool. As at the date of this announcement, the Founding Shareholders have transferred an aggregate of 6.36% equity interest in the Target Company to Shanghai Ermei.

Under the Equity Transfer Agreement, the Purchaser and the Vendors mutually agreed that the Purchaser shall no longer be required to transfer 3.64% equity interest in the Target Company to Shanghai Ermei, and the Purchaser shall not be responsible for the first and second tranches of the relevant equity awards vested. Upon Completion, the Purchaser and the Target Company shall assume the responsibility for the implementation of the third tranche of the relevant equity awards to be vested.

INFORMATION OF THE COMPANY

The Company is 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 (Stock Code: 6826) and the Sci-Tech Innovation Board of the Shanghai Stock Exchange (Stock Code: 688366), respectively.

The Company, through its subsidiaries, is 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.

INFORMATION OF THE TARGET COMPANY

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 aesthetics instruments, hyaluronic acid and chitosan biomaterials, and laser skin-aesthetics devices covered with sales team of each.

Set forth below is the existing shareholding structure of the Target Company:

	Existing equity interest in the Target Company (%)
The Company	63.6364
Mr. Yuan	6.6000
Mr. Chen	11.8800
Mr. Lian	7.9200
Shanghai Ermei	6.3636
Tianjin Huacan	3.6000
Total	100.0000

Based on the unaudited consolidated financial information of the Target Group prepared in accordance with PRC accounting standards for business enterprises for the six months ended 30 June 2023, the net asset value of the Target Company was approximately RMB323,407,327.29 as at 30 June 2023.

Set out below is the audited consolidated net profit/loss (before and after taxation) of the Target Company for the years ended 31 December 2021 and 2022 respectively, and the unaudited consolidated net profit/loss (before and after taxation) of the Target Company for the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Profit before tax	18,705,524.31	22,580,066.40	3,804,387.30
Profit after tax	36,265,469.34	13,231,312.63	38,449.21

INFORMATION OF THE VENDORS

Founding Shareholders

Mr. Yuan, Mr. Chen and Mr. Lian are PRC citizens.

Mr. Yuan is a shareholder of the Target Company, and a director and the general manager of the Target Company.

Mr. Chen is a shareholder of the Target Company.

Mr. Lian is a shareholder of the Target Company and a director of a subsidiary of the Target Company.

Shanghai Ermei

Shanghai Ermei is a limited partnership established in the PRC which serves as the Option Pool.

Mr. Yuan is the general partner of Shanghai Ermei with 25% partnership interest. Shanghai Ermei has two limited partners, namely Mr. Chen and Mr. Lian, who owns 45% and 30% partnership interests respectively.

Tianjin Huacan

Tianjin Huacan is a limited partnership established in the PRC and serve as a platform for the management of the Target Group to hold the equity interest in the Target Company.

Mr. Yuan is the general partner of Tianjin Huacan with 1% partnership interest. Tianjin Huacan has seven limited partners, all of which are the senior management of the Target Group. Details of their partnership interest in Tianjin Huacan are set out below:

Name	Percentage of partnership interest
Su Ying (蘇穎)	35.75%
He Yun (賀贇)	27.50%
Peng Yunping (彭運平)	19.25%
Xu Yi (許懿)	5.50%
Tian Lan (田瀾)	5.50%
Qin Kun (秦琨)	2.75%
Li Yan (李炎)	2.75%

REASONS FOR AND BENEFITS OF THE ACQUISITION

After the Completion, the Target Company will become a wholly-owned subsidiary of the Company, which will be conducive to improving its decision-making efficiency with regard to its operation. At the same time, the Acquisition will also help the Company to streamline the Target Company's business structure, clarify its business scope, adjust its product structure and highlight its main business advantages, which is in line with the Target Company's long-term strategic positioning and the interests of the Shareholders as a whole.

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.

LISTING RULES IMPLICATION

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

- (i) *Mr. Yuan*: Mr. Yuan is a director of the Target Company and hence a connected person of the Company at the subsidiary level;
- (ii) *Mr. Chen*: Mr. Chen, who owns 11.88% of the equity interest in the Target Company, is a substantial shareholder of the Target Company and hence a connected person of the Company at the subsidiary level;
- (iii) *Shanghai Ermei*: Shanghai Ermei is a limited partnership of which Mr. Yuan is the general partner, and thus Shanghai Ermei is an associate of Mr. Yuan and is therefore a connected person of the Company at the subsidiary level; and
- (iv) *Tianjin Huacan*: Tianjin Huacan is a limited partnership of which Mr. Yuan is the general partner, and thus Tianjin Huacan is an associate of Mr. Yuan and is therefore a connected person of the Company at the subsidiary level.

Given that the Acquisition involves simultaneous acquisitions of an aggregate of 36.3636% of the equity interest in the Target Company from the Vendors, the acquisitions from different Vendors were treated as a single transaction, and it constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (1) four of the Vendors are connected persons of the Company at the subsidiary level; (2) the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITION

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of an aggregate of 36.3636% of the equity interest in the Target Company from the Vendors
“Board”	the board of Directors of the Company
“Business Day(s)”	any day on which banks in the PRC are generally open for business (excluding Saturdays, Sundays and public holidays in the PRC)

“Company” or “Purchaser”	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 (Stock Code: 6826) and the Sci-Tech Innovation Board of the Shanghai Stock Exchange (Stock Code: 688366), respectively
“Completion”	the completion of the Equity Transfer Agreement
“Condition(s) Precedent”	the condition(s) precedent to the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Company for the Acquisition, being RMB152,727,100
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement dated 31 July 2023 and entered into among the Purchaser, the Vendors and the Target Company in relation to the Acquisition
“Founding Shareholders”	Mr. Yuan, Mr. Chen and Mr. Lian
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr Chen”	Mr. Chen Guangfei (陳廣飛)
“Mr. Lian”	Mr. Lian Songyong (連松泳)
“Mr. Yuan”	Mr. Yuan Yibing (苑一兵)
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of PRC

“Shanghai Ermei”	Shanghai Ermei Enterprise Management Consulting Partnership (Limited Partnership)* (上海爾美企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	OHMK (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 with limited liability which the Company currently holds 63.6364% of its equity interest
“Target Group”	the Target Company and its subsidiaries and branches
“Tianjin Huacan”	Tianjin Huacan Enterprise Management Consulting Partnership (Limited Partnership)* (天津華璨企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“Vendors”	the Founding Shareholders, Shanghai Ermei and Tianjin Huacan
“%”	per cent.

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

Shanghai, the PRC, 31 July 2023

As at the date of this announcement, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive directors of the Company are Ms. You Jie and Mr. Huang Ming; and the independent non-executive directors of the Company are Mr. Guo Yongqing, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* *For identification purpose only*