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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 IN RELATION TO THE ACQUISITION OF 51% EQUITY INTEREST IN THE TARGET COMPANY AND THE EXCLUSIVE DISTRIBUTORSHIP OF THE TARGET PRODUCTS IN THE PRC

THE ACQUISITION

On 1 December 2021, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Existing Distributorship Holder entered into the Equity Transfer Agreement, pursuant to which (i) the Company agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 51% equity interest in the Target Company; and (ii) the Existing Distributorship Holder agreed to surrender and assign its rights under the Existing Distributorship Agreement to Nanpeng Hengtai by procuring the entering into the New Distributorship Agreement between Hengtai Optics and Nanpeng Hengtai, at a total consideration of RMB70,000,000.

Upon completion of the Acquisition, the Target Company will be owned as to 51%, 40% and 9% by the Purchaser, Vendor A and Vendor B respectively, and the Target Company will become an indirect non-wholly owned subsidiary of the Company; its financial results will be consolidated into the financial results of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but all are less than 25%, the entering into the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under the Listing Rules.

INTRODUCTION

On 1 December 2021, the Company, the Vendors and the Existing Distributorship Holder entered into the Equity Transfer Agreement, pursuant to which (i) the Company agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 51% equity interest in the Target Company; and (ii) the Existing Distributorship Holder agreed to surrender and assign its rights under the Existing Distributorship Agreement to Nanpeng Hengtai by procuring the entering into of the New Distributorship Agreement between Hengtai Optics and Nanpeng Hengtai, at a total consideration of RMB70,000,000.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 1 December 2021

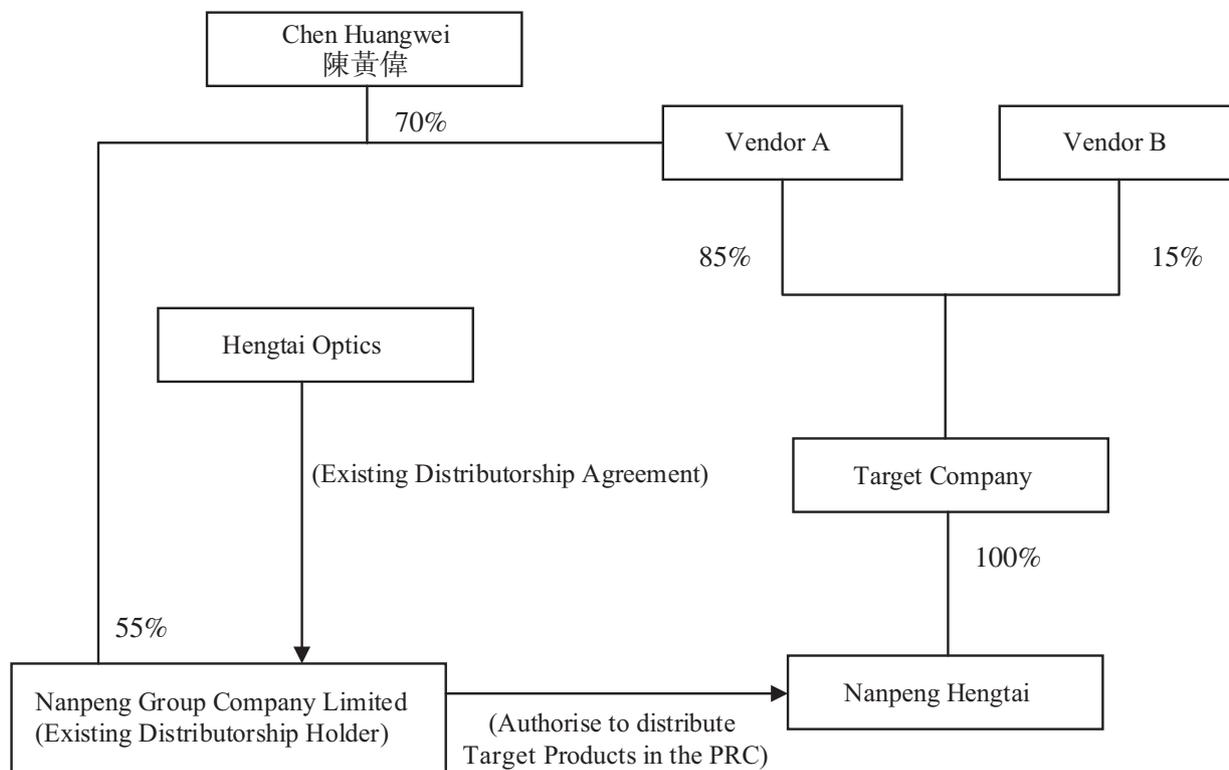
Parties:

- (a) Vendor A
- (b) Vendor B
- (c) The Existing Distributorship Holder; and
- (d) The Purchaser

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, each of the Vendors and the Existing Distributorship Holder and their respective ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

Assets to be acquired

Below is a diagram showing the ownership structure of the Target Company and the relationships under the Existing Distributorship Agreement immediately before the implementation of the Acquisition:



As at the date of this announcement, the Target Company is owned as to 85% and 15% by Vendor A and Vendor B respectively.

Pursuant to the Equity Transfer Agreement, the Company agreed to acquire, and the Vendors agreed to dispose of, in aggregate, 51% equity interest in the Target Company, whereas Vendor A and Vendor B will transfer 45% and 6% of the equity interest in the Target Company to the Purchaser respectively.

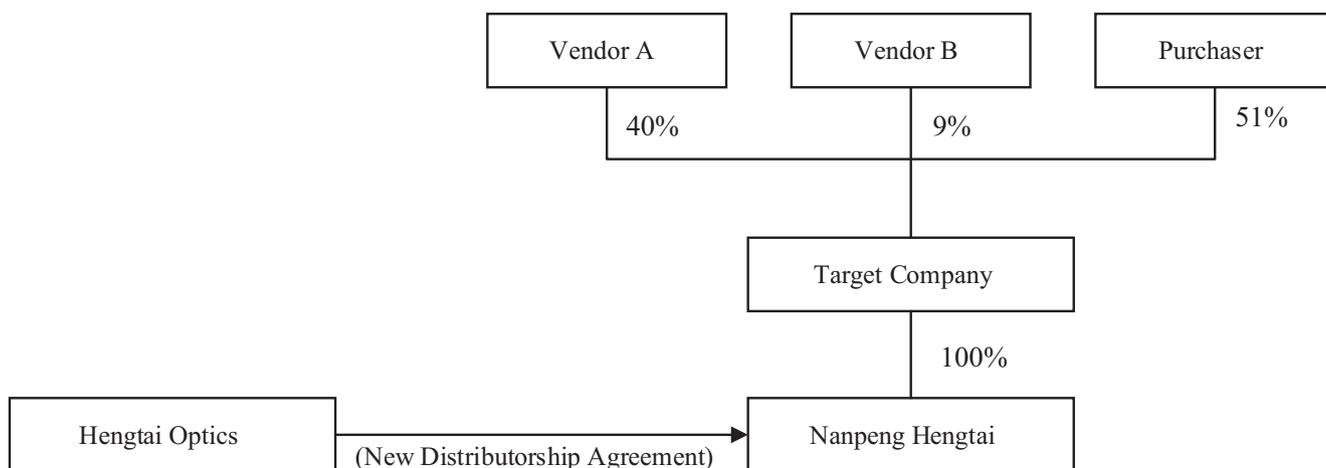
Upon completion of the Acquisition, the shareholding structure of the Target Company will be as follows:

Shareholder	Registered Capital (RMB)	Percentage of Shareholding
Purchaser	5,100,000	51%
Vendor A	4,000,000	40%
Vendor B	900,000	9%
Total	10,000,000	100%

As at the date of the Equity Transfer Agreement, the Existing Distributorship Holder, which is an affiliated company of Vendor A, is the holder of the exclusive distributorship of the Target Products in the PRC pursuant to the Existing Distributorship Agreement entered into between Hengtai Optics and the Existing Distributorship Holder. As at the date of the Equity Transfer Agreement, the Existing Distributorship Holder authorises Nanpeng Hengtai to distribute the Target Products in the PRC.

Pursuant to the terms of the Equity Transfer Agreement, the Existing Distributorship Holder will surrender and assign its exclusive distributorship rights under the Existing Distributorship Agreement to Nanpeng Hengtai, and Nanpeng Hengtai will acquire the exclusive distributorship of the aforementioned Target Products in the PRC by entering into of the New Distributorship Agreement between Hengtai Optics and Nanpeng Hengtai. Under the New Distributorship Agreement, Nanpeng Hengtai will enjoy the exclusive distributorship of the Target Products in the PRC for a period up to 25 January 2026, and the parties to the New Distributorship Agreement will annually review the details of cooperation between the parties, including the pricing of the Target Products.

Below is a diagram showing the ownership structure of the Target Company immediately after the implementation of the Acquisition:



Consideration and Payment Terms

The aggregate consideration of the Acquisition is RMB70,000,000, among which RMB61,764,800 is payable to Vendor A and RMB8,235,200 is payable to Vendor B. The consideration will be financed by the Group's internal resources and shall be settled in the following manner and conditions:

(1) *The first instalment – RMB35,000,000*

Immediately before the entering into of the Equity Transfer Agreement, the shareholding structure of the Target Company was as follows:

Shareholder	Registered Capital (RMB)	Percentage of Shareholding
Vendor A	7,080,500	85%
Vendor B	1,249,500	15%
Total	8,330,000	100%

Within 10 Working Days of the date of the Equity Transfer Agreement:

- (a) Vendor A and Vendor B will enter into an agreement in respect of the subscription of equity interest in the Target Company at a premium through the injection of RMB12,000,000 to the Target Company (the “**Capital Injection**”), whereby the shareholding structure of the Target Company will become as followings after the Capital Injection:

Shareholder	Registered Capital (RMB)	Percentage of Shareholding
Vendor A	8,500,000	85%
Vendor B	1,500,000	15%
Total	10,000,000	100%

- (b) Vendor A and Vendor B will also procure the completion of the necessary registration procedures at the appropriate administration of industry and commerce of the PRC in respect of the Capital Injection; and
- (c) the Existing Distributorship Holder and the Purchaser will jointly make a written request to Hengtai Optics to assign the Existing Distributorship Holder's rights under the Existing Distributorship Agreement in relation to the exclusive distributorship of Target Products in the PRC to Nanpeng Hengtai by entering into the New Distributorship Agreement.

Within 5 Working Days after the completion of steps (a) to (c) above, the Group will pay RMB30,882,400 and RMB4,117,600 to Vendor A and Vendor B respectively (the “**First Instalment**”).

(2) The balance instalment – RMB35,000,000

Within 15 working days of the receipt of the First Instalment by the Vendors:

- (a) Vendor A and Vendor B will complete the Capital Injection; and
- (b) each party shall procure the completion of the necessary registration procedures at the appropriate administration of industry and commerce of the PRC in respect of the Acquisition.

Basis of the Consideration

The consideration for the Acquisition contemplated under the Equity Transfer Agreement was determined upon arm's length negotiation between the parties with reference to, among other things, good profitability of the Target Company in respect of the year ended 31 December 2020 and the prospect of the Target Products to be distributed by the Target Group.

Based on a market research report prepared in 2020, based on the number of lens worn, the Ortho-K Lens Products distributed by the Target Group enjoyed a market share of approximately 15% in the PRC in 2018. The Group also understands that both the revenue and net profit of the Target Group have shown a stable upward trend since 2019. The Target Group has established a stable and efficient sales team and a comprehensive distribution channel in the PRC. The Target Group's revenue comes from the sales of the Target Products, mainly using a distribution model, through dealers with many years of business partnerships, nationwide product sales activities. Among them, the dominant markets are located in East China, South China and Southwest China. At the same time, the Target Group provides support services such as after-sales, technical and academic promotion of the product.

Since October 2015, the Target Group enjoyed the exclusive right to distribute the Target Products supplied by Hengtai Optics in the PRC. Prior to the Acquisition, as part of internal arrangement among the Existing Distributorship Holder, the Target Company and Nanpeng Hengtai (which were under the control of the same individual, namely Mr. Chen Huangwei (陳黃偉)), the Existing Distributorship Holder would purchase Target Products from Hengtai Optics and sell them to Nanpeng Hengtai after retaining certain profits ("**Retained Profits**").

The Target Group recorded a profit after tax of RMB11,011,069.94 for the year ended 31 December 2020 pursuant to its unaudited consolidated financial information, which translates into a price-earnings ratio of approximately 12.47 times for the Acquisition. However, after the Acquisition, profits will no longer be retained by the Existing Distributorship Holder. After accounting for the Retained Profits, the price-earnings ratio for the Acquisition will be approximately 6.54 times.

Accordingly, the Directors are of the view that the consideration of the Acquisition is fair and reasonable.

Conditions Precedents

Unless otherwise waived by the Purchaser in writing, the Purchaser's payment obligation under the Equity Transfer Agreement is conditional upon:

- (a) The undertaking by the Vendors that the audited net profit of the Target Company in respect of the year ended 31 December 2020 is not less than RMB13,000,000 is true and accurate;
- (b) Each of the parties to the Equity Transfer Agreement has agreed to and entered into the Equity Transfer Agreement;
- (c) the Vendors represent that all the information provided by them during the negotiation stage of the Acquisition, including the information contained in the balance sheet provided, are true, accurate and complete, and does not contain any false information, material omission or misleading information;
- (d) the legal and financial due diligence and the background searches on the management and core staff of the Target Company do not show critical issues nor material inconsistencies with the previous representations by Vendor A and Vendor B;
- (e) the Vendors have fully, truly and completely disclosed the Target Company's assets, liabilities, rights and interests, external guarantees and all information related to the Acquisition to the Purchaser in writing;
- (f) the Target Company and Nanpeng Hengtai's business, operations, assets, financial, technical, commercial or other conditions or prospects have not undergone significant adverse changes, nor have one or more of them individually or jointly caused significant adverse effects, and it is reasonably expected that such events that may individually or jointly cause significant adverse effects will not occur;
- (g) there are no encumbrances (such as pledges) on and no title defects in any or all the equity interest of the Target Company or Nanpeng Hengtai, and there will be no recourse or claims by any third party against such equity interest;
- (h) the Target Company and Nanpeng Hengtai, as entities with on-going operations, have not been engaged in any illegal or non-compliant activities;
- (i) the Target Company's articles of association have been amended in accordance with the relevant provisions of the Equity Transfer Agreement and as approved with the official endorsement of all its shareholders. Such amendments and signatures have been approved in writing by the Purchaser. Without written consent from the Purchaser, no amendment or restatement of the Target Company's articles of association is allowed;
- (j) All necessary internal or third-party consents and approvals for the Acquisition have been obtained, including but not limited to those from the Target Company's shareholders approving the Acquisition, in respect of the waiving of the right of first refusal (if any) and the amendments to the Target Company's articles of association;

- (k) The existing shareholders and core personnel of the Target Company specified in the Equity Transfer Agreement have respectively signed labour contracts or labour service contracts with a term of more than three years with the Target Company, and have also signed confidentiality and non-competition agreements;
- (l) The representation and warranties made by the Vendors under the Equity Transfer Agreement are true, accurate, complete, and do not contain any false information, material omission or misleading information; and
- (m) The continuous validity of government licences, approvals, and authorisations owned by the Target Company that are material to its normal production and operation, and that there is no circumstances that may cause the invalidation of such government licences, approvals, and authorisations.

If any of the conditions precedents are not fulfilled or proved to be false (as the case may be), the Purchaser may unilaterally terminate the Acquisition by written notice to all other parties.

Completion of the Acquisition

Parties to the Equity Transfer Agreement agree that the shareholders' rights pertaining to the equity interested to be acquired by the Purchaser shall be transferred to the Purchaser on the date of the Equity Transfer Agreement. Completion of the Acquisition shall take place by way of completing the share transfer registration of the Target Company reflecting the Acquisition, and the proper handing over of the official seal, accounts and other important documents.

The Existing Distributorship Holder shall surrender and assign its rights under the Existing Distributorship Agreement to Nanpeng Hengtai by procuring the entering into of the New Distributorship Agreement between Hengtai Optics and Nanpeng Hengtai within the time prescribed by the Purchaser.

After the completion of the Acquisition, intangible assets and goodwill will be formed. Since the Company has not audited or evaluated the Target Group, as of the date of this Announcement, the amount of net assets identifiable after audit has not been determined. According to the Company's preliminary calculations, it is expected that the Acquisition will form goodwill of RMB5 million to RMB25 million, accounting for approximately 0.08% to 0.42% of the Company's net assets, and is expected to have no significant impact on the Company's financial status.

Option of the Vendors to sell further equity interest in the Target Company to the Purchaser

If the Target Company has stable business operations, reasonable profit growth, and achieved the annual operating goals set by its board of directors every year during the period when the Vendors' representative serves as the general manager and core management team, in the fifth year after the completion of the Acquisition, the Purchaser agrees to further acquire, in aggregate, 15% of the shares in the Target Company from Vendor A and Vendor B at an overall valuation of not less than ten times the net profit of that year. The specific acquisition method and valuation are subject to the negotiation among the Vendors and the Purchaser. The Vendors and the Purchaser agree that, in any event, the valuation of the Target Company for the purpose of such further sale of equity interest by the Vendors will not exceed RMB1 billion.

Distribution of profits and post-transfer operation of the Target Company

The Vendors undertake that the net asset value of the Target Company shall not be lower than RMB18,000,000 as at 30 November 2021. The Vendors are required to make up the difference shall the net asset value of the Target Company fall below RMB18,000,000 as at 30 November 2021. If the net asset value of the Target Company as at 30 November 2021 exceeds RMB18,000,000, the Vendors shall be entitled to receive the surplus by way of distribution of profits.

After the signing of the Equity Transfer Agreement, the Target Company will set up a new board of directors consisting of five people. Among them, the Vendors nominates 2 director candidates, and the Purchaser nominates 3 director candidates. The parties promise to vote at the relevant shareholders' meeting in favor of persons nominated by the Vendors and the Purchaser as directors of the Target Company; the chairman of the board of directors of the Target Company shall be a director nominated by the Purchaser.

Mr. Chen Huangwei and Ms. Li Zhiyi did not participate in the actual operation of the Target Company. The Target Company's main operation management team is composed of 5 core managers. Among them, Cai Liwei (蔡理偉), the general manager of the Target Company, graduated from Jinan University with a major in economics in 1998. He once worked in Hong Kong South China Technology Development Company, Xiamen Haiyi Trading Co., Ltd. and Nanpeng Group Company Limited, and has been responsible for the operation and management of the Target Company for many years. After the completion of the Acquisition, the core management team of the Target Company will remain in office, and the Company will also appoint relevant personnel to participate in the operation and management of the Target Company in accordance with the relevant management system and requirements.

The Vendors also undertake that the Target Company will maintain normal and stable operations after the signing of the Equity Transfer Agreement. In December 2021, the Target Company shall not have operating losses, otherwise the loss will be borne by the Vendors, and the Vendors shall pay the corresponding amount to the Target Company in the following month.

Information of the Target Group and the Target Company

The Target Group is principally engaged in sale of the rigid gas permeable contact lenses (the "RGP") and Ortho-K Lens Products. Since October 2015, the Target Group enjoyed the exclusive right to distribute the Target Products supplied by Hengtai Optics in the PRC.

Set out below is the unaudited consolidated financial information of the Target Company for the two financial years ended 31 December 2019 and 2020 and the six months ended 30 June 2021:

	For the year ended 31 December 2019 (RMB)	For the year ended 31 December 2020 (RMB)	For the six months ended 30 June 2021 (RMB)
Profit before tax	9,816,271.83	15,199,226.31	6,823,861.48
Profit after tax	6,601,663.95	11,011,069.94	5,287,478.95

As at 30 June 2021, the unaudited consolidated net asset value of the Target Company was approximately RMB16,359,600.

REASONS AND BENEFITS OF THE ACQUISITION

The Group's ophthalmology business has covered cataract treatment, myopia prevention and control and refractive correction, and ocular surface medication, and has been deployed in the field of fundus disease treatment. In order to further enrich the product layout of the Group in the field of myopia prevention and control, and consolidate and improve the competitiveness of the Group's ophthalmology business, in March 2021, the Group acquired 55% equity interest in Shanghai Hengtai Vision Technology Co., Ltd. (上海亨泰視覺科技有限公司), and at the same time obtained the exclusive distributorship of certain Ortho-K Lens Product (under the brand name of "Maierkang myOK") and optical lens products for children's myopia management and control supplied by Hengtai Optics in the PRC. Since October 2015, the Target Group enjoyed the exclusive right to distribute certain Ortho-K Lens Product (under the brand name of "Hiline") supplied by Hengtai Optics in the PRC. The acquisition of the Target Group can help the Group obtain the exclusive distribution rights of all products supplied by Hengtai Optics in the PRC, enrich the ophthalmology portfolio and quickly improve its product and sales layout in the field of myopia prevention and control. After the completion of the Acquisition, the Group and the Target Group expect to achieve synergies in the brand promotion, market promotion activities, sales channels and resource sharing and improve the market share of Ortho-K Lens Products of the Group.

INFORMATION ABOUT PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in the sales of medical devices and investment in the pharmaceutical industry.

Vendor A is a limited liability company established under the laws of the PRC, and is principally engaged in the sales of medical devices. Vendor A is ultimately controlled by Mr. Chen Huangwei who is a Hong Kong resident and services as an executive director of Vendor A.

Vendor B is a Hong Kong resident who is the spouse of Mr. Chen Huangwei.

The Existing Distributorship Holder is a company incorporated under the laws of Hong Kong which is controlled by Mr. Chen Huangwei, and is principally engaged in the distribution of the Target Products in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but are less than 25%, the entering into the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of an aggregate of 51% equity interest in the Target Company by the Purchaser pursuant to the Equity Transfer Agreement, together with the Existing Distributorship Holder agreeing to surrender and assign its rights under the Existing Distributorship Agreement to Nanpen Hengtai
“Board”	the board of Directors
“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 with limited liability incorporated in the PRC and its H shares and A shares are listed on the Stock Exchange (Stock Code: 6826) and the SciTech Innovation Board of Shanghai Stock Exchange (Stock Code: 688366), respectively
“Consideration”	the total consideration payable by the Purchaser to the Vendors under the Equity Transfer Agreement, being RMB70,000,000
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 1 December 2021 and entered into between the Purchaser, the Vendors and the Existing Distributorship Holder in relation to the Acquisition
“Existing Distributorship Agreement”	a distributorship agreement between Hengtai Optics and the Existing Distributorship Holder, whereby the Existing Distributorship Holder is granted exclusive distributorship of the Targets Products supplied by Hengtai Optics in the PRC
“Existing Distributorship Holder”	Nanpeng Group Company Limited (南鵬集團有限公司), a limited company incorporated under the laws of Hong Kong and an affiliated company of Vendor A
“Group”	the Company and its subsidiaries
“Hengtai Optics”	Hengtai Optics Co., Limited (亨泰光學股份有限公司), a company with limited liabilities established under the laws of the region of Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanpeng Hengtai”	Xiamen Nanpeng Hengtai Technology Development Co. Ltd. (廈門南鵬亨泰科技開發有限公司), a company with limited liability established under the laws of the PRC and a wholly-owned subsidiary of the Target Company

“New Distributorship Agreement”	a new distributorship agreement to be entered into between Hengtai Optics and Nanpeng Hengtai, whereby Nanpeng Hengtai shall become the holder of the exclusive distributorship of the Target Products supplied by Hengtai Optics in the PRC
“Ortho-K Lens Products”	rigid gas permeable contact lenses for orthokeratology
“Purchaser”	Shanghai Haohai Medical Technology Development Co., Ltd. (上海昊海醫藥科技發展有限公司), a limited liability company established under the laws of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the region of Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xiamen Nanpeng Optical Company Limited (廈門南鵬光學有限公司), a company with limited liability established under the laws of the PRC
“Target Group”	the Target Company and Nanpeng Hengtai
“Target Products”	the rigid gas permeable contact lenses and Ortho-K Lens Products supplied by Hengtai Optics in the PRC
“Vendor A”	Xiamen Nanpeng Group Co. Ltd. (廈門南鵬集團有限公司), a limited liability company established under the laws of the PRC
“Vendor B”	Ms. Li Zhiyi (李志毅)
“Vendors”	Vendor A and Vendor B
“Working Days”	days other than Saturdays, Sundays and statutory holidays stipulated by the government of the PRC

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

Shanghai, the PRC, 1 December 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