

**SHANGHAI HAOHAI BIOLOGICAL TECHNOLOGY COMPANY LTD:
THIS COMPANY SITS ON MOUNTAINS OF CASH,
GATHERING RUST AND DUST**

In this day and age, it is difficult to envisage a company that is not dependent, in some degree, at least, on obtaining financial support from its banker.

But Shanghai Haohai Biological Technology Company Ltd () (Code: 6826, Main Board, The Stock Exchange of Hongkong Ltd) boasts about the fact that it has no bank borrowings – and has no immediate plans to incur any debts with a registered bank in the People's Republic of China (PRC), the PRC, being the country where it operates, exclusively.

Shanghai Haohai is the latest company to pitch a Global Offering on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC.

In its Global Offering Prospectus, dated April 20, 2015, it is stated, at Page 206, under the heading of:

'INDEBTEDNESS

'As of February 28, 2015, we did not have any outstanding bank loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material covenants or contingent liabilities. We currently do not plan to enter into any borrowing arrangement. However, we may seek borrowings in the future in connection with future acquisition activities.'

Shanghai Haohai is Offering a total of 40 million, one renminbi 'H' Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK48.50 to a high of \$HK59.00.

Of the total number of shares on Offer, HKSAR Investors are being Offered four million Shares and International Investors are expected to take up the remaining 36 million Shares via Share Placements.

At the midpoint of the Indicative Offer Price Per Share, being \$HK53.75, the Company expects to net about 2,042.10 million renminbi, after deducting all expenses, related to this **Initial Public Offering (IPO)**.

Before passing on as to how this not insignificant amount of money shall be utilised, in order to put this sum of 2.04 billion renminbi into perspective in terms of this Company, it represents 822,007,000 renminbi more than the aggregate Turnover in respect of the 36 months, ended December 31, 2014.

Page 213 of the Global Offering Prospectus states that the net proceeds of this IPO shall be utilised as follows:

- a. Approximately, 25 percent of the net proceeds, that is about \$HK510.50 million, *'to construct new production lines at Shanghai Likangrui, including the new production facilities for animal origin fibrin sealant products and biomedical materials to meet the continually increasing demand for our*

products’;

- b. Approximately, 25 percent of the net proceeds, that is \$HK510.50 million, *‘to selectively acquire suitable biopharmaceutical or biomedical materials companies or assets with a focus on products that have high growth potentials within our target therapeutic areas and products complementary to our existing product portfolio. We have not identified any acquisition targets to be acquired as of the Latest Practicable Date (April 10, 2015)’;*
- c. Approximately, 18 percent of the net proceeds, that is about \$HK367.60 million, *‘to purchase new production equipment, as well as to renovate and upgrade our Haohai Biological facility’;*
- d. Approximately, 13 percent of the net proceeds, that is about \$HK265.50 million, *‘to fund research and development activities and clinical applications for our pipeline products, including the thermal-sensitive chitosan products and new generation of cross-linked sodium hyaluronate products’;*
- e. Approximately, 9 percent of the net proceeds, that is about \$HK183.80 million, *‘to expand our sales and marketing network by hiring additional marketing and sales personnel, commercialize those pipeline products we have successfully developed, and increase the level of our marketing and promotional activities’;* and,
- f. Approximately, 10 percent of the net proceeds, that is about \$HK204.20 million, *‘to be used for working capital and general corporate purposes’.*

The above utilisations of the net proceeds, at 2,042.10 million renminbi, appear, in the Global Offering Prospectus, to be equal to exactly the same amount in Hongkong dollars.

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