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Bloomage BioTechnology Corporation Limited

華熙生物科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00963)

DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF ENTIRE INTEREST IN THE TARGET COMPANY

THE ACQUISITION

On 6 January 2017, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Company entered into the Sale and Purchase Agreement pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares, representing the entire issued and paid-up capital of the Target Company, at the Consideration of up to EUR25,150,000 (equivalent to approximately HK\$203,086,000), subject to the terms of the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Acquisition exceed 5% and all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval under the Listing Rules.

GENERAL

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

Completion of the Acquisition is subject to the Condition, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

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THE SALE AND PURCHASE AGREEMENT

Date

6 January 2017

Parties

- (1) the Purchaser (a wholly-owned subsidiary of the Company), as purchaser
- (2) Vendor I, as vendor in respect of approximately 49.9% interest in the Target Company;
- (3) Vendor II, as vendor in respect of approximately 50.1% interest in the Target Company; and
- (4) the Company, as guarantor

Vendor I is the president of the Target Company and holds approximately 49.9% interest in the entire issued and paid up capital of the Target Company as at the date of this announcement.

Vendor II is a company incorporated in Luxembourg with limited liability, is principally engaged in the business of investment holding and holds approximately 50.1% interest in the entire issued and paid-up capital of the Target Company as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Vendor I, Vendor II and Vendor II's ultimate beneficial owners are independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the terms of the Sale and Purchase Agreement, the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing the entire issued and paid-up share capital of the Target Company.

Consideration

The Consideration for the Sale Shares is in the aggregate amount of up to EUR25,150,000 (equivalent to approximately HK\$203,086,000) payable in cash, which comprises of:

- (i) the Initial Consideration of up to EUR14,275,000 (equivalent to approximately HK\$115,271,000);
- (ii) the Basic Earn-out Consideration in the aggregate amount of up to EUR7,875,000 (equivalent to approximately HK\$63,591,000); and
- (iii) the Additional Earn-out Consideration in the aggregate amount of up to EUR3,000,000 (equivalent to approximately HK\$24,225,000),

subject to the adjustments as detailed below.

The Initial Consideration

The Initial Consideration shall be paid to Vendor I and Vendor II in the proportion of 49.9% and 50.1%, respectively, and adjusted in the manner set out as follows:

- (a) on the date of Completion, the Purchaser shall pay to the Vendors an aggregate amount of EUR13,650,000 (equivalent to approximately HK\$110,224,000) in partial settlement of the Initial Consideration; and
- (b) within eight (8) days of receipt by the Purchaser and the Vendors of the Completion Adjustment Certificate:
 - (i) if the Closing Net Financial Debt is equal to or lower than EUR530,000, the Purchaser shall pay to the Vendors the remaining portion of the Initial Consideration in the amount of EUR625,000 (equivalent to approximately HK\$5,047,000);
 - (ii) if the Closing Net Financial Debt is higher than EUR530,000 but not more than EUR1,155,000, the Initial Consideration shall be reduced by an amount equal to the difference between the Closing Net Financial Debt and EUR530,000 and the Purchaser shall pay to the Vendors the remaining portion of the Initial Consideration; and

(iii) if the Closing Net Financial Debt is higher than EUR1,155,000, no further payment shall be due by the Purchaser with respect to the Initial Consideration and the Vendors shall reimburse to the Purchaser an amount equal to the difference between the Closing Net Financial Debt and EUR1,155,000.

The Basic Earn-out Consideration

Subject to the terms set out in the sub-section titled “Eligibility for Basic and Additional Earn-out Consideration” below, the Basic Earn-out Consideration shall be paid to Vendor I and Vendor II in the proportion of 49.9% and 50.1%, respectively. The Purchaser shall pay the Vendors the relevant portion of the Basic Earn-out Consideration after each earn-out period as set out in the table below (each, an “**Earn-out Period**”) and in accordance with mechanism set out in the sub-section titled “Determination and Payment of the Basic and Additional Earn-out Consideration” below, subject to the Target Company achieving the corresponding relevant revenue target (the “**Revenue Target**”):

Earn-out Period	Revenue Target	Maximum amount of Basic Earn-out Consideration payable for each Earn-out Period
1 January 2017 to 31 December 2017	EUR6,000,000	EUR1,125,000
1 January 2018 to 31 December 2018	EUR9,000,000	EUR3,375,000
1 January 2019 to 31 December 2019	<u>EUR13,000,000</u>	<u>EUR3,375,000</u>
Total	<u>EUR28,000,000</u>	<u>EUR7,875,000</u>

If the Target Company fails to achieve the Revenue Target in any of the Earn-out Periods, the amount of Basic Earn-out Consideration payable for such Earn-out Period shall be adjusted in accordance with the following formula:

$$\text{Basic Earn-out Consideration} = \frac{\text{Target Company Actual Revenue}}{\text{Revenue Target}} \times \text{Maximum amount of Basic Earn-out Consideration payable for such Earn-out Period}$$

PROVIDED that, if at the end of the third Earn-Out Period, the Cumulative Target Company Actual Revenue exceeds the cumulative Revenue Target for all three Earn-Out Periods and the maximum amount of Basic Earn-out Consideration has not been paid in full in respect of one or more of the Earn-Out Periods, any such unpaid amount of the Basic Earn-out Consideration shall become payable to the Vendors after the end of the third Earn-out period and in accordance with mechanism described in the sub-section titled “Determination and Payment of the Basic and Additional Earn-out Consideration” below (the “**Catch-up Mechanism**”).

The Additional Earn-out Consideration

Subject to the terms described in the sub-section titled “Eligibility for Basic and Additional Earn-out Consideration” and the adjustments set out below, the Additional Earn-out Consideration of up to EUR3,000,000 shall be paid to the Vendor I and Vendor II in the proportion of 49.9% and 50.1%, respectively, after the end of the third Earn-out Period and in accordance with mechanism described in the sub-section titled “Determination and Payment of the Basic and Additional Earn-out Consideration” below.

Subject to the Target Company meeting the relevant conditions for both the Cumulative Target Company Actual Revenue and the Cumulative Target Company NOPAT, the corresponding Additional Earn-out Consideration payable is as follows:

Condition 1: Cumulative Target Company Actual Revenue	Condition 2: Cumulative Target Company NOPAT	Additional Earn-out Consideration payable
EUR16,800,000 to EUR25,200,000	at least 30% of the Cumulative Target Company Actual Revenue	EUR1,000,000
EUR25,200,000 to EUR28,000,000	EUR4,850,000 to EUR9,700,000	a sum equivalent to EUR3,000,000 x (Cumulative Target Company NOPAT ÷ EUR9,700,000)
at least EUR28,000,000	at least EUR9,700,000	EUR3,000,000

No Additional Earn-out Consideration will be paid if (a) the Cumulative Target Company NOPAT is less than EUR4,850,000, or (b) the Cumulative Target Company Actual Revenue is less than EUR16,800,000, or (c) in the event of a Bad Leaver Event during any Earn-Out Period;

Eligibility for Basic and Additional Earn-out Consideration

The payment by the Purchaser of the Basic Earn-Out Consideration and/or the Additional Earn-out Consideration (as applicable) is subject to (a) the continuous employment of Vendor I (or engagement as a service provider or appointment as an officer) in good standing by the Target Company at all times during the relevant Earn-out Period, or (b) Vendor I being a Good Leaver.

In the event that, during an Earn-out Period, Vendor I ceases to be continuously employed (or engaged as a contractor) of the Target Company due to a Bad Leaver Event:

- (a) the Basic Earn-out Consideration relating to the Earn-out Period during which Vendor I's departure occurred shall be reduced proportionally by the number of days during the Earn-out Period which Vendor I is no longer an employee or an officer or a service provider of the Target Company; and
- (b) the Vendors shall lose any right (i) to any Basic Earn-out Consideration for any subsequent Earn-out Period, (ii) to benefit from the Catch-up Mechanism for the Basic Earn-out Consideration and (iii) to any payment of the Additional Earn-out Consideration.

Determination and Payment of the Basic and Additional Earn-out Consideration

In accordance with the terms of the Sale and Purchase Agreement, the relevant Basic Earn-out Consideration and/or Additional Earn-out Consideration (as applicable) shall, absent any dispute as to the amount, be agreed no later than fifteen (15) Business Days after 30 June of the year following the expiry of the relevant Earn-Out Period. Pursuant to the terms of the Sale and Purchase Agreement, the relevant Basic Earn-out Consideration and/or Additional Earn-out Consideration (as applicable) shall be paid by the Purchaser on the 10th Business Day after the date which the relevant amount has been agreed.

Basis of Consideration

The Consideration was determined through arm's length negotiations between the Purchaser and the Vendors on a commercial basis with reference to, amongst other, (a) the historical financial performance of the Target Company, (b) the valuation multiples and deal premium as observed in comparable public companies and merger and acquisition transactions, (c) the prospects and earning potential of the Target Company of which the Earn-out Consideration have been structured accordingly, and (d) the potential additional synergy effects of the Target Company with the Company

including but not limited to the acquisition of the exclusive distribution rights of the Target Company's products in Asia Pacific Region, which will complement the Company's existing product portfolio in the premium market.

The Consideration is expected to be funded by the internal resources and/or bank borrowings of the Group.

Condition

Completion is conditional upon the Target Company having acquired from Marivaux S.a.r.l., under terms satisfactory to the Purchaser and for a total consideration of EUR350,000, full title to certain key trademarks used by the Target Company, as identified in the Sale and Purchase Agreement, free of any encumbrances (the "**Condition**") . Marivaux S.a.r.l. is a company incorporated in Luxembourg with limited liability, with the principal business of investment holdings, including the creation, development and management of a portfolio of trademarks, patents and other intellectual property rights. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Marivaux S.a.r.l. and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

In the event the above condition is not fulfilled within 15 days following the date of the Sale and Purchase Agreement, the Purchaser shall be entitled (in addition to and without prejudice to all other rights or remedies available) by written notice to the Vendors served on the Date of Completion, to rescind this Agreement on the date of Completion, without liability on its part.

Completion

Subject to the fulfillment (or waiver by the Purchaser) of the Condition, Completion shall take place on or before 15 February 2017 (or such later date as may be agreed between the Vendors and the Purchaser in writing). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

Guarantee

Pursuant to the terms of the Sale and Purchase Agreement, the Company shall act jointly and severally with the Purchaser to guarantee the due performance of all obligations and liabilities of the Purchaser under the Sale and Purchase Agreement, which guarantee shall continue in full force and effect until all obligations and liabilities of the Purchaser have been fully discharged, paid or satisfied.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in France with limited liability held as to approximately 49.9% by Vendor I and approximately 50.1% by Vendor II as at the date of this announcement. The Target Company is principally engaged in the business of research, development and sale of medical aesthetic products used in prevention and correction of skin aging effects and hair treatment.

Financial Information Of The Target Company

The Target Company has not yet prepared its unaudited financial statements for the financial year ended 31 December 2016. According to the unaudited financial statements of the Target Company for the year ended 31 December 2015 prepared in accordance with the generally accepted accounting principles in France, the net asset value and total asset value of the Target Company as at 31 December 2015 were approximately EUR2,408,000 (equivalent to approximately HK\$19,445,000) and approximately EUR4,193,000 (equivalent to approximately HK\$33,858,000), respectively.

The net profit/(loss) before and after tax of the Target Company for the two financial years ended 31 December 2014 and 2015, and the for the 7-month financial period ended 31 July 2016 is approximately as follows:

	For the year ended 31 December 2014 unaudited (EUR)	For the year ended 31 December 2015 unaudited (EUR)	For the 7-month period ended 31 July 2016 unaudited (EUR)
Target Company			
profit (loss)			
before tax	185,000	2,038,000	1,263,000
profit (loss) after tax	190,000	1,400,000	843,000

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is principally engaged in the development, manufacture and sale of a diversified range of hyaluronic acid raw materials and end products, and is committed to become the leading medical aesthetic products and solutions provider in China.

The Group has been giving continuous efforts to enhance its productivity and strengthen the integration of new products and new technologies globally. The Group has entered into strategic cooperations with Laboratoires Vivacy SAS, a leading European brand of injectable HA filler, Medytox Inc., a leading Korean manufacturer of Botulinum Toxin products, and Syneron Medical Ltd, an Israeli renowned aesthetic devices company through equity participation, joint ventures and business cooperation, completing the Group's comprehensive product portfolio of medical aesthetic injectables and devices provision. The acquisition of Revitacare is a useful supplement to the Group's current focus on the development of skin management business. Through acquiring 100% of Revitacare to master its advanced technologies in skin management and new products to further diversify the Company's product line, and at the same time to harness its technological know-hows and R&D pipeline to expand the product portfolio and solutions to be provided by the Group. On the other hand, through the "Made in France" high-end brand image to expand into more international markets facilitates the multi-products, multi-brands, multi-channels internationalization progress of the Group, and further enhance the Group's competitiveness in the medical aesthetic landscape.

The Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Acquisition exceed 5% and all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

GENERAL

Completion of the Acquisition is subject to the Condition, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the purchase by the Purchaser and the sale by the Vendors of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“Additional Earn-out Consideration”	up to EUR3,000,000 (equivalent to approximately HK\$24,225,000), subject to adjustments in accordance with the terms of the Sale and Purchase Agreement
“Bad Leaver Event”	with regard to Vendor I, the (i) resignation (or termination of her employment contract, position as officer, or service contract, or the (ii) redundancy, dismissal or termination of employment contract, position as officer, or service contract for gross misconduct or a material breach
“Basic Earn-out Consideration”	up to EUR7,875,000 (equivalent to approximately HK\$63,591,000), subject to adjustments in accordance with the terms of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, a Sunday or a legal holiday in Luxembourg (Grand Duchy of Luxembourg) and Hong Kong
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Catch-up Mechanism”	has the meaning ascribed to it in the sub-section titled “The Basic Earn-out Consideration” of this announcement
“Closing Net Financial Debt”	the difference as at Completion between; (a) the amount of (i) bank loans, bonds, facilities, overdraft, or presently used lines of credit with financial institutions, held by the Target Company and (ii) current accounts owed by the Target Company towards the Vendors or any other former shareholder of the Target Company, and (iii) any dividends approved by the shareholders of the Company and not yet paid (or accounted for in the shareholders’ current accounts); and

	(b) the aggregate/consolidated amount of (i) all cash in hand, cash at bank and cash equivalents (including all marketable securities) held by the Target Company less (ii) unmatured discount notes held by the Target Company, as set out in the Completion Adjustment Certificate
“Company”	Bloomage BioTechnology Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
“Completion Adjustment Certificate”	an adjustment certificate issued no later than 15 calendar days after Completion by the statutory auditors of the Target Company
“Condition ”	has the meaning ascribed to it in the sub-section titled “Condition” of this announcement
“Consideration”	up to EUR25,150,000 (equivalent to approximately HK\$203,086,000), being the aggregate amount of consideration payable for the Sale Shares under the Sale and Purchase Agreement
“Cumulative Target Company NOPAT”	the cumulative Target Company NOPAT for the three (3) Earn-out Periods from 1 January 2017 to 31 December 2019
“Cumulative Target Company Actual Revenue”	the cumulative Target Company Actual Revenue for the three (3) Earn-out Periods from 1 January 2017 to 31 December 2019
“Director(s)”	the director(s) of the Company
“Earn-out Period”	has the meaning ascribed to it in the sub-section titled “Consideration” of this announcement
“EUR”	Euro, the lawful currency of the Euro Zone

“Good Leaver”	any cessation of Vendor I to be an employee, contractor (as applicable) or an officer of the Target Company being due to circumstances of (i) death, (ii) permanent disability or physical ill health, redundancy, dismissal or termination of employment contract, position as officer, or service contract other than for gross misconduct or a material breach, or (iii) such other circumstances deemed acceptable to the Purchaser in its absolute discretion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Consideration”	up to EUR14,275,000 (equivalent to approximately HK\$115,271,000), representing the initial portion of the Consideration to be paid to the Purchaser in accordance with the terms of the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Bloomage Meso Holdings S.A., a company incorporated in Luxembourg with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Revenue Target”	the revenue targets of the Target Company as set out in the section titled “The Basic Earn-out Consideration” of this announcement
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 6 January 2017 entered into between each of the Purchaser, the Vendors and the Company with respect to the Acquisition
“Sale Shares”	950 shares, representing the entire issued and paid-up capital of the Target Company as at the date of this announcement
“Shareholder(s)”	the shareholders of the Company
“Shares”	shares of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Revitacare, a <i>société par actions simplifiée</i> incorporated in France.
“Target Company NOPAT”	the operating profit of the Target Company minus a notional corporate income tax determined at a tax rate of 33.33%
“Target Company Actual Revenue”	the revenue excluding value-added tax (chiffre d’affaires hors taxes) of the Target Company for each Earn-out Period
“Vendors”	Vendor I and Vendor II
“Vendor I”	Mrs. Martine Buzon, the president of the Target Company who holds 474 Sale Shares, representing approximately 49.9% interest in the entire issued and paid up capital of the Target Company as at the date of this announcement
“Vendor II”	Rosen s.à.r.l., a company incorporated in Luxembourg with limited liability, which holds 476 Sale Shares, representing approximately 50.1% interest in the entire issued and paid-up capital of the Target Company as at the date of this announcement
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of EUR1.00: HK\$8.075 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.

By order of the Board
Bloomage BioTechnology Corporation Limited
Zhao Yan
Chairman

Hong Kong, 6 January 2017

As at the date of this announcement, the executive Directors are Ms. Zhao Yan, Mr. Jin Xuekun, Mr. Gong Anmin and Ms. Wang Aihua; the non-executive Director is Mr. Yau Wai Yan; the independent non-executive Directors are Ms. Zhan Lili, Mr. Li Junhong and Mr. Xue Zhaofeng.