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HUAKANG BIOMEDICAL HOLDINGS COMPANY LIMITED

華康生物醫學控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8622)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



長雄證券有限公司
EVER-LONG SECURITIES COMPANY LIMITED

THE PLACING AGREEMENT

On 29 July 2022 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 30,000,000 Placing Shares to not less than six independent Placers at the Placing Price of HK\$0.180 per Placing Share.

Assuming that there is no change in the issued share capital of the Company between the date of this announcement and the Completion, the maximum number of Placing Shares represent 7.50% of the existing issued share capital of the Company of 400,000,000 Shares and approximately 6.98% of the issued share capital of the Company of 430,000,000 Shares as enlarged by the Placing Shares.

The Placing Price represents (i) a discount of approximately 5.3% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on 29 July 2022, being the date of the Placing Agreement; (ii) a discount of approximately 10.9% to the average closing price per Share of approximately HK\$0.202 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 July 2022, being the date immediately preceding the date of the Placing Agreement; and (iii) a discount of approximately 18.6% to the average closing price per Share of approximately HK\$0.221 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 28 July 2022, being the date immediately preceding the date of the Placing Agreement.

The Placing is conditional upon, *inter alia*, the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$5.4 million and HK\$5.375 million respectively. The Company intends to apply the net proceeds from the Placing for general working capital of the Group for its operations outside of the PRC.

GENERAL

The Placing Shares will be allotted and issued pursuant to the General Mandate.

Application will be made by the Company to the Listing Committee for the grant of the approval for the listing of, and permission to deal in, the Placing Shares.

The Completion is subject to the fulfilment of the conditions set forth in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

29 July 2022 (after trading hours)

Parties

- (a) the Company; and
- (b) the Placing Agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

The Placing

The Placing Agent has conditionally agreed with the Company to place the Placing Shares to not less than six Placees on a best effort basis. The Company will issue a further announcement upon the Completion.

The Placees

The Placing Shares will be placed to not less than six Placees which will be professional, institutional or other investors, and who and whose ultimate beneficial owners are Independent Third Parties. Upon the Completion, it is expected that none of the Placees will become a substantial Shareholder (as defined in the GEM Listing Rules) after the Placing.

Number of Placing Shares

Assuming that there is no change in the issued share capital of the Company between the date of this announcement and the Completion, the maximum number of the Placing Shares represent approximately 7.50% of the existing issued share capital of the Company of 400,000,000 Shares and approximately 6.98% of the issued share capital of the Company of 430,000,000 Shares as enlarged by the Placing Shares. The aggregate nominal value of the Placing Shares will be HK\$5.4 million.

The Placing Shares will be allotted and issued under the General Mandate granted to the Board at the AGM of the Company held on 17 June 2022 pursuant to which the Board is authorised to allot, issue and deal with up to 80,000,000 Shares. As at the date of this announcement, the Company had not utilised the General Mandate, and the Placing Shares under the Placing represents approximately 37.5% of the entire General Mandate. The issue of the Placing Shares is not subject to the approval of the Shareholders.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

Placing Price

The Placing Price is HK\$0.180 per Placing Share, which represents:

- (a) a discount of approximately 5.3% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on 29 July 2022, being the date of the Placing Agreement;
- (b) a discount of approximately 10.9% to the average closing price per Share of approximately HK\$0.202 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 July 2022, being the date immediately preceding the date of the Placing Agreement; and
- (c) a discount of approximately 18.6% to the average closing price per Share of approximately HK\$0.221 as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 28 July 2022, being the date immediately preceding the date of the Placing Agreement.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent with reference to current market conditions, prevailing market price and liquidity of the Shares. The Directors consider that the Placing Price is fair and reasonable based on the current market conditions and is in the interests of the Company and the Shareholders as a whole.

The Board also considers that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The estimated expenses for the Placing are approximately HK\$25,000 all inclusive. Assuming that all the Placing Shares could be successfully placed out, the net price to the Company of each Placing Share is approximately HK\$0.179 per Placing Share.

The placing fee was arrived at after arm's length negotiation between the Company and the Placing Agent by reference to the size of the Placing and the current market conditions. The Directors are of the view that the placing fee payable under the Placing is fair and reasonable.

Conditions of the Placing

The Placing is conditional upon:

- (a) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (b) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure events.

If the above conditions are not satisfied and/or waived in whole or in part by the Placing Agent prior to 12:00 noon on or before 26 August 2022 or such later date to be agreed between the Company and the Placing Agent in writing (the “**Long Stop Date**”), the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties to the Placing Agreement will cease and determine and no party will have any claim against the others (save for any antecedent breaches).

Termination of the Placing

- (a) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent's appointment shall terminate upon the earlier of (i) the completion of the Placing; (ii) the Long Stop Date if the condition as set out in the section headed “Conditions of the Placing” above have not been satisfied (or waived as the case may be); and (iii) the termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.
- (b) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group; or

- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
 - (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (c) If, at or prior to 9:00 a.m. on the Completion Date:
- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
 - (ii) any suspension in the trading of the Shares on the GEM of the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement; or
 - (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in this Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

- (d) Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Completion

The Completion shall take place on the Completion Date.

REASONS FOR THE PLACING, USE OF PROCEEDS AND EXPECTED TIMELINE

The Group is principally engaged in research and development, manufacture, marketing and sales of IVD reagents and auxiliary reproductive supplies and equipment in the PRC.

As at 31 December 2021, there were bank balances and cash of the Group in the sum of approximately RMB36,207,000, of which approximately RMB35,156,000 were placed by Shenzhen Huakang Bio-Medical Engineering Limited* (深圳華康生物醫學工程有限公司) (“**Shenzhen Huakang**”) with banks in the PRC, and the remittance of such funds out of the PRC is subject to the exchange controls imposed by the PRC government.

As such, as at 31 December 2021, the Group had approximately RMB1,051,000 of bank balances and cash to serve as its working capital for its operations outside of the PRC. The Group’s operations outside of the PRC consist of, inter alia, the operations of (i) its office in Hong Kong; and (ii) its business of healthcare products and supplements.

In light of the bank balances and cash of the Group mentioned above, the Board considered the following factors in conducting the Placing:

- (1) Firstly, to the best of our Directors’ knowledge, information, and belief, having made all reasonable enquiries, (i) the RMB is currently not a freely convertible currency and (ii) though RMB is freely convertible for payments of current account items such as dividend payments, dividend payable by a foreign-invested enterprise in the PRC to its foreign enterprise investors are generally subject to a 10% withholding tax.
- (2) Secondly, in view of (i) the Group is principally engaged in research and development, manufacture, marketing and sales of IVD reagents and auxiliary reproductive supplies and equipment in the PRC through its PRC subsidiary Shenzhen Huakang, and (ii) the uncertainty brought forth by the COVID-19 pandemic, our Directors consider it essential, as a precautionary measure, to hold sufficient liquidity in order to ensure that the Group’s business in the PRC does not face going concern as a result of insufficient cash flow.
- (3) Thirdly, the Placing of new shares under General Mandate can increase the Group’s working capital for its operations outside of the PRC. Our Directors’ consider that it is in the best interests of the Company and its Shareholders to have additional working capital for such operations in light of the expanding business of healthcare products and supplements. For the three months ended 31 March 2022, the revenue recorded from our sales of healthcare products and supplements under the Nutronic brand represented approximately 15.4% of the Group’s total revenue, as compared to 4.1% for the three months ended 31 March 2021.
- (4) Fourthly, the Placing will broaden the Company’s capital base and shareholders base without any interest burden. Moreover, the net proceeds of the Placing will strengthen the Group’s financial position for future development of the Group.

In light of the above, the Directors consider that it is in the best interests of the Company and its Shareholders to raise funds by way of placing and to apply such proceeds towards the Group’s general working capital for its operations outside of the PRC.

** The English name is for identification purpose only.*

Assuming all the 30,000,000 Shares are successfully placed, the gross proceeds and the net proceeds (after deduction of commission and other expenses of the Placing) from the Placing will be approximately HK\$5.4 million and HK\$5.375 million respectively. The Directors expect the Placing proceeds to be fully utilised by the end of December 2023.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion, assuming that there is no change in the issued share capital of the Company between the date of this announcement and the Completion:

| Shareholders | As at the date of this announcement | | Immediately after the Completion (assuming all the Placing Shares have been issued and allotted) | |
|--|--|-----------------------------------|--|-----------------------------------|
| | <i>Number of Shares</i> | <i>Approximate % (Note 1)</i> | <i>Number of Shares</i> | <i>Approximate % (Note 1)</i> |
| Crystal Grant Limited (“Crystal Grant”) (Note 2) | 144,576,000 | 36.14 | 144,576,000 | 33.62 |
| Ever Charming Inc. (“Ever Charming”) (Note 3) | 95,424,000 | 23.86 | 95,424,000 | 22.19 |
| Places | - | - | 30,000,000 | 6.98 |
| Other public Shareholders | <u>160,000,000</u> | <u>40</u> | <u>160,000,000</u> | <u>37.21</u> |
| Total | <u>400,000,000</u> | <u>100</u> | <u>430,000,000</u> | <u>100</u> |

Notes:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. Crystal Grant is beneficially owned by Mr. Zhang Shuguang (being the chairman of the Board and an executive Director).
3. Ever Charming is beneficially owned by Mr. Chang Yim Yang.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

Save as the Previous Placing Agreement which lapsed on 22 July 2022 and no Share was placed thereunder, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

Please refer to the announcements of the Company published on 20 June 2022, 8 July 2022 and 22 July 2022 for details in relation to the Previous Placing Agreement.

Shareholders and potential investors should note that the Completion is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

| | |
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| “AGM” | the annual general meeting of the Company held on 17 June 2022 |
| “Board” | the board of Directors of the Company |
| “Company” | Huakang Biomedical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (stock code: 8622) |
| “Completion” | completion of the Placing in accordance with the terms and conditions as set out in the Placing Agreement |
| “Completion Date” | a day falling within four business days after the fulfilment of the conditions under the Placing Agreement (or such other date as the Company and the Placing Agent shall agree in writing) |
| “connected person(s)” | has the meaning ascribed thereto under the GEM Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “GEM” | the GEM of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “General Mandate” | the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the AGM to allot, issue and deal with up to a maximum of 80,000,000 Shares |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and any of its connected persons in accordance with the GEM Listing Rules |
| “Listing Committee” | The Listing Committee of the Stock Exchange |
| “Long Stop Date” | has the meaning ascribed thereto in the paragraph headed “Conditions of the Placing” under the section “The Placing Agreement” in this announcement |

| | |
|------------------------------|---|
| “Placee(s)” | independent professional, institutional or other investor(s) procured by or on behalf of the Placing Agent or its agent(s) to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligation under the Placing Agreement |
| “Placing” | the placing of the Placing Shares to not less than six Placees on a best effort basis by the Placing Agent pursuant to the Placing Agreement |
| “Placing Agent” | Ever-Long Securities Company Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| “Placing Agreement” | the placing agreement dated 29 July 2022 entered into between the Company and the Placing Agent in respect of the Placing |
| “Placing Price” | the placing price of HK\$0.180 per Placing Share |
| “Placing Shares” | up to 30,000,000 new Shares to be placed under the Placing |
| “PRC” | the People’s Republic of China, and for the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Previous Placing Agent” | Zijing Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| “Previous Placing Agreement” | the conditional placing agreement dated 20 June 2022 entered into between the Company and the Previous Placing Agent (as revised and supplemented by a supplemental placing agreement dated 8 July 2022) in relation to the placing of a maximum of 30,000,000 new Shares under the General Mandate, details of which were set out in the announcements of the Company dated 20 June 2022, 8 July 2022 and 22 July 2022 |
| “SFO” | Securities and Future Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “%” | per cent |

By Order of the Board
Huakang Biomedical Holdings Company Limited
Zhang Shuguang
Chairman and Executive Director

Hong Kong, 29 July 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Shuguang, Mr. Zhang Chunguang, Mr. Poon Lai Yin Michael and Mr. He Jiaming; and the independent non-executive Directors are Dr. Chow Kwok Fai Joseph, Dr. Cheng Faat Ting Gary and Mr. Chan Kin Sang.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange website at www.hkexnews.hk for at least seven days from the date of publication and on the Company’s website at www.huakangbiomedical.com.