

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 19% EQUITY INTEREST OF THE TARGET COMPANY AND PROVISION OF LOAN AND (2) RESUMPTION OF TRADING**

#### **THE TRANSACTIONS INVOLVING ACQUISITION OF 19% EQUITY INTEREST OF THE TARGET COMPANY AND PROVISION OF LOAN**

It has come to the knowledge of the Company that on 19 December 2022, Huakang SZ and the Vendor had entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell, and Huakang SZ agreed to purchase, 19% equity interest in the Target Company at the consideration of RMB1.9 million. Huakang SZ had paid the consideration of RMB1.9 million directly to the Target Company on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement and Huakang SZ shall become a shareholder of the Target Company pending registration with the relevant authorities in the PRC.

It has also come to the knowledge of the Company that on 20 December 2022, Huakang SZ and the Target Company had entered into the Loan Agreement pursuant to which Huakang SZ agreed to advance a loan of RMB3.8 million to the Target Company. Huakang SZ had advanced the Loan to the Target Company on 20 December 2022 pursuant to the Loan Agreement.

The Transactions involving the Sale and Purchase Agreement and Loan Agreement were only made known to the Company after trading hours on 4 January 2023 and have not been approved and authorised by the Company. The Sale and Purchase Agreement and Loan Agreement were entered into by a Director of the Company for and on behalf of Huakang SZ.

The Company is still investigating into the circumstances leading to the entering into the Sale and Purchase Agreement and Loan Agreement and will seek advice from its legal advisors on the rights and recourses over the relevant parties involved in the Transactions.

#### **GEM LISTING RULES IMPLICATION**

Neither the acquisition under the Sale and Purchase Agreement nor the provision of Loan under the Loan Agreement constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules on a standalone basis.

However, since the Sale and Purchase Agreement and Loan Agreement were entered into within 12 months and are related to Huakang SZ's intended collaboration with the Target Company (since the Loan will be used by the Target Company to acquire AFE IP from the University), they are required to be aggregated (with the aggregated value of RMB5.7 million) as a series of transactions pursuant to Rule 19.22 of the GEM Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules in respect of the Transactions exceeds 5% but are less than 25% for the Company, the Transactions constitute a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Company has not made any announcement on the Transactions until this announcement as the Sale and Purchase Agreement and Loan Agreement were only made known to the Company after trading hours on 4 January 2023, the Company may have been in breach of Rule 19.34 of the GEM Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on 5 January 2023 pending the release of this announcement.

Application will be made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange expectedly with effect from 1:00 p.m. on 6 January 2023.

**Shareholders and potential investors should exercise caution when dealing in the Shares.**

### **BACKGROUND**

It has come to the knowledge of the Company that on 19 December 2022, Huakang SZ and the Vendor had entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell, and Huakang SZ agreed to purchase, 19% equity interest in the Target Company at the consideration of RMB1.9 million. Huakang SZ had paid the consideration of RMB1.9 million directly to the Target Company on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement and Huakang SZ shall become a shareholder of the Target Company pending registration with the relevant authorities in the PRC.

It has also come to the knowledge of the Company that on 20 December 2022, Huakang SZ and the Target Company had entered into the Loan Agreement pursuant to which Huakang SZ agreed to advance a loan of RMB3.8 million to the Target Company. Huakang SZ had advanced the Loan to the Target Company on 20 December 2022 pursuant to the Loan Agreement.

The Transactions involving the Sale and Purchase Agreement and Loan Agreement were only made known to the Company after trading hours on 4 January 2023 and have not been approved and authorised by the Company. The Sale and Purchase Agreement and Loan Agreement were entered into by a Director of the Company for and on behalf of Huakang SZ.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

19 December 2022

### **Parties to the Sale and Purchase Agreement**

Seller: Vendor

Buyer: Huakang SZ

### **Subject matter**

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell, and Huakang SZ agreed to purchase, 19% equity interest in the Target Company at the consideration of RMB1.9 million. The 19% equity interest acquired under the Sale and Purchase Agreement are not subject to any restrictions to subsequent sale.

### **Consideration**

The consideration payable by Huakang SZ under the Sale and Purchase Agreement is RMB1.9 million. Huakang SZ had paid the consideration of RMB1.9 million directly to the Target Company on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement.

### **Completion**

Huakang SZ already paid the consideration of RMB1.9 million directly to the Target Company on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement and Huakang SZ shall become a shareholder of the Target Company pending registration with the relevant authorities in the PRC.

## **THE LOAN AGREEMENT**

### **Principal terms**

The principal terms of the Loan Agreement are as follows:

Date: 20 December 2022

Lender: Huakang SZ

Borrower: Target Company

Principal amount: RMB3.8 million

Interest rate: NIL

Term: 1 year commencing from 20 December 2022

Maturity date: 19 December 2023

Security: NIL

Repayment: Target Company shall repay the loan in full upon expiry of the term

## **Purpose of the Loan**

The purpose of the Loan is to provide funds for the Target Company to acquire the AFE IP from the University.

## **Funding of the Loan**

Huakang SZ financed the Loan with its internal resources.

## **INFORMATION OF THE TARGET COMPANY AND THE VENDOR**

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in the manufacturing and sale of AFE products and related supplements in the PRC.

The Vendor is a company incorporated in the PRC with limited liability and is principally engaged in sales of healthcare foods and supplements in the PRC.

One of ultimate beneficial owners of the Vendor and the Target Company is:

- (i) one of the directors of Every Charming Inc., the Company's controlling shareholder (as defined in the GEM Listing Rules); and
- (ii) one of the ultimate beneficial owners of Smartronic Limited, in which the Company indirectly hold 49% equity interests.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, save as disclosed herein, the Vendor, the Target Company and their ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in research and development, manufacturing, marketing and sale of biological reagents and auxiliary reproductive supplies and equipment in the PRC.

## **REASONS FOR ENTERING INTO THE TRANSACTIONS**

The Board did on 16 December 2022 considered a draft memorandum of understanding in relation to the possible acquisition of 19% equity interest in the Target Company.

However, the Board wish to emphasize that the entering of the Sale and Purchase Agreement and Loan Agreement were only made known to the Company after trading hours on 4 January 2023 and have not been authorised and approved by the Company.

As the Company is still investigating into the circumstances leading to the entering into the Sale and Purchase Agreement and Loan Agreement, the Board is unable to provide its view on the benefit or detriments, if any, to the Group at this stage, nor is the Board able to provide its view on whether the terms of the Sale and Purchase Agreement and Loan Agreement are fair and reasonable and whether the Transactions are in the interests of the Company and its Shareholders as a whole and the Company will make further announcement to provide the Board's view on the Sale and Purchase Agreement and Loan Agreement in due course.

## **GEM LISTING RULES IMPLICATION**

Neither the acquisition under the Sale and Purchase Agreement nor the provision of Loan under the Loan Agreement constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules on a standalone basis.

However, since the Sale and Purchase Agreement and Loan Agreement were entered into within 12 months and are related to Huakang SZ's intended collaboration with the Target Company (since the Loan will be used by the Target Company to acquire AFE IP from the University), they are required to be aggregated (with the aggregated value of RMB5.7 million) as a series of transactions pursuant to Rule 19.22 of the GEM Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules in respect of the Transactions exceeds 5% but are less than 25% for the Company, the Transactions constitute a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Company has not made any announcement on the Transactions until this announcement as the Sale and Purchase Agreement and Loan Agreement were only made known to the Company after trading hours on 4 January 2023, the Company may have been in breach of Rule 19.34 of the GEM Listing Rules.

## **REMEDIAL MEASURES**

In view of the above incident, the Board understands that there is a need to strengthen the Company's internal control and compliance measures. The Board has already convened special meetings on 4 January 2023 and 5 January 2023 for the incident and decided to take the necessary actions and steps immediately, including but not limited to:

- (1) establishing a special investigation committee which consists of independent non-executive directors to investigate the above incident;
- (2) reviewing the terms of the Sale and Purchase Agreement and Loan Agreement and to take any necessary follow up actions with the Vendor and Target Company (including but not limited to the termination and/or variation of the agreements entered into by Huakang SZ); and
- (3) arranging to strengthen the training of the Company's management in relation to the GEM Listing Rules and internal control management.

The Company will make announcement(s) on the progress of the above measures as appropriate in accordance with the relevant rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on 5 January 2023 pending the release of this announcement.

Application will be made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange expectedly with effect from 1:00 p.m. on 6 January 2023.

## DEFINITIONS

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

<b>“AFE”</b>	anoectochillus formosanus extractive (including Kinsenoside), being components extracted from Anoectochillus formosanus
<b>“AFE IP”</b>	certain AFE intellectual property rights which will be obtained by the Target Company under the Cooperation Agreement to be negotiated and signed by the Target Company and the University;
<b>“Board”</b>	the Board of Directors
<b>“Company”</b>	Huakang Biomedical Holdings Company Limited (華康生物醫學控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange (Stock code: 08622)
<b>“Cooperation Agreement”</b>	the cooperation agreement to be negotiated and signed by the Target Company and the University
<b>“Director(s)”</b>	director(s) of the Company
<b>“GEM”</b>	GEM operated by the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Huakang SZ”</b>	Shenzhen Huakang Bio-Medical Engineering Limited* (深圳華康生物醫學工程有限公司), a company established as a limited liability company under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company
<b>“Kinsenoside”</b>	a main active component isolated from plants of the genus Anoectochilus, and exhibits many biological activities and pharmacological effects, including hepatoprotective, anti-hyperglycemic, anti-hyperliposis, anti-inflammatory, vascular protective and anti-osteoporosis effects and so on
<b>“Loan”</b>	the loan of RMB3.8 million provided by Huakang SZ to the Target Company pursuant to the Loan Agreement
<b>“Loan Agreement”</b>	the loan agreement dated 20 December 2022 entered into between Huakang SZ and the Target Company in relation to the provision of the Loan
<b>“PRC”</b>	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan

<b>“Professor Zhang Yonghui”</b>	The Professor of School of Pharmacy, Tongji Medical College, Huazhong University of Science and Technology, who is the one of the inventors of the AFE IP
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sale and Purchase Agreement”</b>	the sale and purchase agreement dated 19 December 2022 entered into by Huakang SZ and the Vendor in relation to the acquisition of 19% of the equity interest in the Target Company
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of Shares
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Company”</b>	Hainan Jinnuosai Medical Technology Company Limited* (海南金諾賽醫療科技有限公司), a company established under the laws of the PRC with limited liability
<b>“Transactions”</b>	the acquisition of 19% of the equity interest in the Target Company pursuant to the Sale and Purchase Agreement and provision of Loan pursuant to the Loan Agreement
<b>“University”</b>	Huazhong University of Science and Technology* (華中科技大學), the University is the patent owner of the AFE IP which Professor Zhang Yonghui and its relevant teams are the inventor
<b>“Vendor”</b>	Shenzhen Maxson Technology Development Company Limited* (深圳市美丞科技發展有限公司), a company established as a limited liability company under the laws of the PRC

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

Hong Kong, 6 January 2023

*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.*