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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)

SECOND SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 19% EQUITY INTEREST OF THE TARGET COMPANY AND PROVISION OF LOAN

Reference is made to the announcement of Huakang Biomedical Holdings Company Limited (the “**Company**”) dated 6 January 2023 and the announcement of the Company dated 7 February 2023 (the “**Announcements**”) in respect of the Transactions involving the Sale and Purchase Agreement and Loan Agreement. Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

SUPPLEMENTAL SALE AND PURCHASE AGREEMENT

The Board announces that on 9 February 2023 (after trading hours), Huakang SZ and the Vendor entered into a supplemental agreement to the Sale and Purchase Agreement (the “**Supplemental Sale and Purchase Agreement**”) to amend and supplement certain terms of the Sale and Purchase Agreement.

Save as amended and supplemented by the Supplemental Sale and Purchase Agreement, all other terms, conditions and provision in the Sale and Purchase Agreement shall remain unchanged and shall continue to have full force and full legal effect.

The major amendments to the Sale and Purchase Agreement are set out as follows:

The addition of conditions to be fulfilled by 30 June 2023

Pursuant to the Supplemental Sale and Purchase Agreement, Huakang SZ and the Vendor guarantee that the following conditions shall be fulfilled on or before 30 June 2023:

- (1) the Target Company and the University negotiated and completed the signing of the Cooperation Agreement for the transfer of AFE IP and for the cooperation between the Target Company and the University, and that there shall be a term in the Cooperation Agreement specifying that the Target Company and the University shall complete the documentation and statutory procedures in relation to the transfer of AFE IP from the University to the Target Company within a specified time period;
- (2) the Target Company and the University having completed the documentation and statutory procedures in relation to the transfer of the AFE IP within the specified time in accordance with the Cooperation Agreement;

- (3) the Cooperation Agreement shall specify that the University and Professor Zhang Yonghui and the relevant teams shall (i) provide the Target Company with the expertise and knowledge in connection with the research and development of AFE (including but not limited to the research and development in relation to the use and application of AFE for the functions of protecting the liver, lowering blood sugar and lipids) and (ii) assist the Target Company in the completion of research and development (including but not limited to the research and development in relation to the use and application of AFE for the functions of protecting the liver, lowering blood sugar and lipids) and clinical trials of AFE for obtaining the application and registration approval from the National Medical Products Administration;
- (4) Huakang SZ and the Vendor having acquired all necessary consent, registration, filing, approval, authorization, permit, waiver, order and exemption in relation to the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Sale and Purchase Agreement) (and the transactions contemplated thereunder) pursuant to the applicable laws, rules of any stock exchange, or any requirements by any governmental or regulatory body (including but not limited to any shareholder or director approval as required under the GEM Listing Rules); and
- (5) all shareholders of the Target Company unanimously agreed the Vendor's sale of 19% equity interest in the Target Company to Huakang SZ.

Pursuant to the Supplemental Sale and Purchase Agreement, if the above conditions are not fulfilled on or before 30 June 2023, the Vendor shall refund to Huakang SZ the consideration of RMB1.9 million and Huakang SZ shall return to the Vendor the 19% equity interest acquired.

SUPPLEMENTAL LOAN AGREEMENT

The Board announces that on 9 February 2023 (after trading hours), Huakang SZ and the Target Company entered into a supplemental agreement to the Loan Agreement (the “**Supplemental Loan Agreement**”) to amend and supplement certain terms of the Loan Agreement.

Save as amended and supplemented by the Supplemental Loan Agreement, all other terms, conditions and provision in the Loan Agreement shall remain unchanged and shall continue to have full force and full legal effect.

The major amendments to the Loan Agreement are set out as follows:

Interests on the Loan

Pursuant to the Supplemental Loan Agreement, the interest rate for the Loan has been revised from NIL to 5.75% per annum. Such interest rate was arrived at after arm's length negotiations between Huakang SZ and the Target Company after taking into consideration of the market conditions of the PRC.

The right for Huakang SZ to demand repayment

Pursuant to the Supplemental Loan Agreement, Huakang SZ shall have the right to demand repayment of the Loan prior to 19 December 2023, and the Target Company shall, within 7 days after receiving a written demand from Huakang SZ, repay the principal amount of RMB3.8 million together with any interest payable under the Loan.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

To the best knowledge, information and belief of the Board, the Target Company intends to and is expected to enter into the Cooperation Agreement with the University, under which the Target Company is expected to obtain a number of AFE IP. Such AFE IP will be used for (i) the research and development in relation to the use and application of AFE for the functions of protecting the liver, lowering blood sugar and lipids; and (ii) the commercialization of certain AFE products of the healthcare market.

The Directors are of the view that collaboration between the Group and the Target Company would allow the two to combine and leverage on each other's intellectual properties, technical know-how and resources in each other's respective fields of expertise, namely (i) in the field of manufacturing and sale of medical device in the PRC on the part of the Group; and (ii) in the field of research and development of AFE on the part of the Target Company. Valuable synergy is therefore expected to be generated by such pooling of each party's intellectual properties, technical know-how and resources. Furthermore, collaboration with the Target Company will also bring additional sources of income for the Group.

Based on the factors as disclosed above, the Directors are of the view that the terms of the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Sale and Purchase Agreement) and the Loan Agreement (as amended and supplemented by the Supplemental Loan Agreement) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 9 February 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.

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.