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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)

ANNOUNCEMENT IN RELATION TO DEALINGS IN SECURITIES OF A DIRECTOR

This announcement is made by Huakang Biomedical Holdings Company Limited (the “**Company**”) pursuant to rule 5.67 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

FORCED SALE OF SHARES

The board (the “**Board**”) of directors (the “**Directors**”) of the Company was informed by Mr. Zhang Shuguang (“**Mr. Zhang**”), the controlling shareholder, the chairman and an executive Director of the Company, that 544,000 and 1,400,000 shares of the Company (which were placed in margin securities accounts) respectively held by Crystal Grant Limited (“**Crystal Grant**”), a company wholly-owned by Mr. Zhang, and Ever Charming Inc (“**Ever Charming**”), a company wholly-owned by Mr. Chang Yim Yang (“**Mr. Chang**”), respectively representing approximately 0.13% and 0.34% of the total issued share capital of the Company as at the date of this announcement, were sold on the market as a result of forced sales (the “**Disposals**”) by a stockbroker of Crystal Grant and Ever Charming on 30 December 2022 and 4 January 2023 respectively.

The Disposals occurred due to Crystal Grant and Ever Charming failing to meet the margin calls issued by the stockbroker. Further, Mr. Zhang is deemed to be interested in Ever Charming as a result of being a party acting in concert with Mr. Chang.

Immediately after completion of the Disposals and as at the date of this announcement, the percentage interest of Mr. Zhang, Mr. Chang, Crystal Grant and Ever Charming in the Company has been reduced to approximately 57.44%, 57.44%, 34.75% and 22.69% respectively of the total issued share capital of the Company.

Pursuant to rule 5.54 of the GEM Listing Rules, the Directors must not deal in any securities of the Company at any time when he possesses inside information. Mr. Zhang possessed inside information of the Company during the relevant time of the Disposals as he entered into a sale and purchase agreement and loan agreement for and on behalf of an indirect wholly-owned subsidiary of the Company on 19 December 2022 and 20 December 2022 respectively (collectively, the “**Transactions**”) (please refer to the announcements of the Company dated 6 January 2023, 7 February 2023 and 9 February 2023).

EXCEPTIONAL CIRCUMSTANCES

Upon enquiring with Mr. Zhang and considering the Disposals, the Directors (except Mr. Zhang) are satisfied that the Disposals which are forced sales during when Mr. Zhang possessed inside information occurred under exceptional circumstances within the meaning of rule 5.67 of the GEM Listing Rules for the following reasons:

- (1) From around December 2022 to 4 January 2023, Mr. Zhang and Mr. Chang had used their best efforts to arrange for funds to satisfy the demands of the stockbroker (including but not limited to obtaining further loans). According to Mr. Zhang, there were no other alternatives/ways for Mr. Chang and himself to satisfy such demands in time and/or to prevent the stockbroker to forcibly sell the shares in the market. In particular, they could not obtain further loans because they do not have assets in Hong Kong that may be used for collaterals for any such further loans. Under such premises, the Board considers that the forced sales of the shares constitute as pressing financial commitments on the part of Mr. Zhang and Mr. Chang that cannot otherwise be satisfied, and there were no alternative options for Mr. Zhang and Mr. Chang to satisfy such margin calls due to their lack of financial resources; and
- (2) Despite the fact that Mr. Zhang is also interested in the 1,400,000 shares of the Company held by Ever Charming by reason of the Acting-in-concert Confirmation dated 16 November 2017, the Board is of the view that the fact that Mr. Chang is not a director of the Company also makes the current incident an exceptional circumstance.

BREACH OF LISTING RULES

As mentioned above, the Directors must not deal in any securities of the Company at any time when he possesses inside information pursuant to rule 5.54 of the GEM Listing Rules and Mr. Zhang did possess inside information of the Company during the relevant time of the Disposals. As such, the Board is of the view that Mr. Zhang did not comply with Rule 5.54 of the GEM Listing Rules.

Pursuant to rule 5.61 of the GEM Listing Rules, the Directors must not deal in any securities of the Company without first notifying in writing the chairman or a director (other than himself) designated by the Board for the specific purpose and receiving a dated written acknowledgement. Since Mr. Zhang did not give notice in writing to the Board seeking for clearance for the Disposals, the Board is of the view that Mr. Zhang did not comply with Rule 5.61 of the GEM Listing Rules.

Pursuant to rule 5.67 of the GEM Listing Rules, if the Directors propose to sell or otherwise dispose of securities of the Company under exceptional circumstances where the sale or disposal is otherwise prohibited under the required standard of dealings, the Directors must, in addition to complying with the other provisions of the required standard of dealings, comply with rule 5.61 regarding prior written notice and acknowledgement. The Directors must also satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the Directors can sell or dispose of the securities. Since Mr. Zhang did not notify the Board in writing to obtain clearance, the Board is of the view that Mr. Zhang did not comply with Rule 5.67 of the GEM Listing Rules.

Upon enquiring with Mr. Zhang, the Board was informed that Mr. Zhang did not comply with the aforementioned rules due to the following reasons:

- (1) Mr. Zhang did not notify the Board to obtain clearance because, at the relevant time of the Disposals, he thought that such notification was not needed as he considered that the relevant shares were sold by the stockbroker instead of himself; and
- (2) Mr. Zhang confirmed that he only became aware of the occurrence of the Disposals on 30 December 2022 and 4 January 2023 and did not know prior to such dates when the stockbroker would sell the shares of the Company in the open market after being unable to satisfy the margin call.

Further, since Mr. Zhang did not notify the Board in writing to obtain clearance, the Company was not in the position to issue the relevant clearance and to take steps to fulfil the requirements under Rule 5.67 of the GEM Listing Rules to give written notice to the Stock Exchange and to publish an announcement. As such, the Company was late in making this announcement. The Board acknowledges its shortfall in failing to review the previous dealings involving the Company's shares disclosed to it after becoming aware that the Transactions have been entered into and have therefore updated its internal policy on 20 February 2023 (please see below on remedial measures taken by the Company).

REMEDIAL MEASURES

In addition to the recent training completed by the Company's management on 30 January 2023 (please refer to the announcement of the Company dated 7 February 2023), the Board plans to provide further training to the Company's management in relation to the GEM Listing Rules and internal control management (including but not limited to notifiable and connected transactions and securities transactions by directors) within the first quarter this year. Mr. Zhang has also confirmed that he will attend all trainings to be arranged by the Company.

Further, the Company has updated its internal policy on 20 February 2023 to provide for the following:

- (1) Should the Company become aware that a Director or staff who is likely to possess inside information of the Company by virtue of their position (collectively, the "**Relevant Staff**") intends to and/or have dealt with the Company's shares, the Company shall enquiry with such Relevant Staff to ascertain whether such dealings were appropriate and whether the GEM Listing Rules were complied with;
- (2) The Company shall regularly review the previous dealings involving the Company's shares disclosed to it during (i) any day on which its financial results are published and the periods specified under GEM Listing Rule 5.56 and (ii) time periods where there may be inside information concerning the Company; and
- (3) The Relevant Staff must first inform the Board in writing and obtain a written acknowledgement before dealing with the Company's shares even if such dealings were not prohibited by the Company's internal policy. Further, a written record must be maintained by the Company for the relevant notification and acknowledgement.

Shareholders of the Company and other investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 8 March 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.