



HUAKANG BIOMEDICAL HOLDINGS COMPANY LIMITED

華康生物醫學控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8622)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of Huakang Biomedical Holdings Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**” or “**our**”) 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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Group. 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.*

ANNUAL RESULTS

The Board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	24,629	25,330
Cost of sales		<u>(8,536)</u>	<u>(8,416)</u>
Gross profit		16,093	16,914
Other income	4	734	884
Other gains and losses	5	251	860
Selling and distribution expenses		(8,617)	(8,951)
Administrative expenses		(9,874)	(9,803)
Research and development expenses		(2,553)	(2,483)
Provision for impairment losses on trade receivables, net		(1,414)	(373)
Provision for impairment losses on loan and loan interest receivables and refundable consideration paid		(349)	–
Finance costs	6	<u>(53)</u>	<u>(55)</u>
Loss before tax	6	(5,782)	(3,007)
Income tax expense	7	<u>–</u>	<u>(68)</u>
Loss for the year attributable to owners of the Company		(5,782)	(3,075)
Other comprehensive loss: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation		<u>(190)</u>	<u>(411)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(5,972)</u>	<u>(3,486)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Loss per share attributable to owners of the Company			
Basic and diluted	8	<u>(1.39)</u>	<u>(0.76)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		7,478	7,572
Right-of-use assets		2,267	696
Intangible assets		2,134	2,811
Interest in an associate		–	–
Consideration paid for acquisition of equity investment		–	1,900
		<u>11,879</u>	<u>12,979</u>
Current assets			
Inventories		3,395	3,116
Trade receivables	10	9,683	9,470
Other receivables, deposits and prepayments	11	7,423	7,345
Tax recoverable		–	189
Bank balances and cash		32,935	33,303
		<u>53,436</u>	<u>53,423</u>
Current liabilities			
Trade payables	12	638	829
Other payables and accrued charges		7,932	5,852
Contract liabilities		552	1,267
Lease liabilities		1,111	410
Deferred income – government grants		15	15
Amount due to an associate		2,848	1,408
		<u>13,096</u>	<u>9,781</u>
Net current assets		<u>40,340</u>	<u>43,642</u>
Total assets less current liabilities		<u>52,219</u>	<u>56,621</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		1,177	59
Deferred income – government grants		23	38
		<u>1,200</u>	<u>97</u>
NET ASSETS		<u>51,019</u>	<u>56,524</u>
Capital and reserves			
Share capital	13	3,674	3,637
Reserves		47,345	52,887
TOTAL EQUITY		<u>51,019</u>	<u>56,524</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

1. GENERAL INFORMATION

Huakang Biomedical Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company under the laws of the Cayman Islands with limited liability on 3 August 2017 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2018. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business in Hong Kong of the Company is Room 04, 9 Floor, Kimberley House, 35–35A Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in research and development, manufacture, marketing and sale of biological reagents and auxiliary reproductive supplies and equipment in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and its subsidiaries, and rounded to the nearest thousand unless otherwise stated.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and the disclosure requirements of the Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Based on the Group’s internal information reporting purpose, the directors of the Company have determined that there are two reportable operating segments which are set out below:

- (1) Biological reagents and auxiliary reproductive supplies and equipment; and
- (2) Healthcare products and supplements

Segment revenue, results, assets and liabilities

Segment revenue represents revenue derived from biological reagents and auxiliary reproductive supplies and equipment, and healthcare products and supplements.

Segment results, which are the measures reported to the CODM for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of certain other gains and losses, administrative expenses, finance costs incurred by head office, provision for impairment losses on loan and loan interest receivables and refundable consideration paid, income tax expense and share result of an associate.

All assets are allocated to operating segments other than unallocated corporate assets which are mainly certain of bank balances, other receivables, consideration paid for acquisition of equity investment and right-of-use assets located in Hong Kong as these assets are managed on a corporate basis.

All liabilities are allocated to operating segments other than unallocated corporate liabilities which are mainly certain of other payables and lease liabilities located in Hong Kong as these liabilities are managed on a corporate basis.

Disaggregation of revenue from contracts with customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Type of goods		
Sales of biological reagents:		
Male fertility in-vitro diagnostic (“IVD”) reagents	19,033	16,807
Parasite antibody detection reagents	3,059	3,345
Epstein-Barr Virus antibody detection reagents	851	785
Sales of auxiliary reproductive supplies and equipment	1,371	2,240
Sales of healthcare products and supplements	315	2,153
	<u>24,629</u>	<u>25,330</u>

The following is an analysis of the Group's revenue and results by reportable operating segments:

Year ended 31 December 2023

	Biological reagents and auxiliary reproductive supplies and equipment RMB'000	Healthcare products and supplements RMB'000	Total RMB'000
Segment revenue	<u>24,314</u>	<u>315</u>	<u>24,629</u>
Segment results	<u>(111)</u>	<u>(2,256)</u>	<u>(2,367)</u>
<i>Unallocated head office and corporate income and expenses:</i>			
Other gains and losses			224
Administrative expenses			(3,287)
Provision for impairment losses on loan and loan interest receivables and refundable consideration paid			(349)
Finance costs			<u>(3)</u>
Loss before tax			(5,782)
Income tax expense			<u>–</u>
Loss for the year			<u><u>(5,782)</u></u>

Year ended 31 December 2022

	Biological reagents and auxiliary reproductive supplies and equipment RMB'000	Healthcare products and supplements RMB'000	Total RMB'000
Segment revenue	<u>23,177</u>	<u>2,153</u>	<u>25,330</u>
Segment results	<u>1,935</u>	<u>(2,341)</u>	(406)
<i>Unallocated head office and corporate income and expenses:</i>			
Other gains and losses			392
Administrative expenses			(2,982)
Finance costs			<u>(11)</u>
Loss before tax			(3,007)
Income tax expense			<u>(68)</u>
Loss for the year			<u><u>(3,075)</u></u>

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

Year ended 31 December 2023

	Biological reagents and auxiliary reproductive supplies and equipment <i>RMB'000</i>	Healthcare products and supplements <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Reportable segment assets	<u>58,487</u>	<u>1,229</u>	<u>5,599</u>	<u>65,315</u>
Liabilities				
Reportable segment liabilities	<u>6,806</u>	<u>4,190</u>	<u>3,300</u>	<u>14,296</u>
Other information				
Depreciation on property, plant and equipment	1,543	52	5	1,600
Depreciation on right-of-use assets	857	–	45	902
Amortisation on intangible assets	677	–	–	677
Gain on disposal of property, plant and equipment	(13)	–	–	(13)
Loss on disposal of right-of-use assets	–	–	22	22
Provision for impairment losses on trade receivables, net	1,174	240	–	1,414
Provision for impairment losses on loan and loan interest receivables and refundable consideration paid	–	–	349	349
Write-off of inventories	–	210	–	210
Additions in property, plant and equipment	1,502	–	–	1,502
Research and development expenses	<u>2,553</u>	<u>–</u>	<u>–</u>	<u>2,553</u>

Year ended 31 December 2022

	Biological reagents and auxiliary reproductive supplies and equipment <i>RMB'000</i>	Healthcare products and supplements <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Reportable segment assets	57,554	2,257	6,591	66,402
Liabilities				
Reportable segment liabilities	5,557	2,531	1,790	9,878
Other information				
Depreciation on property, plant and equipment	1,714	50	14	1,778
Depreciation on right-of-use assets	719	–	249	968
Amortisation on intangible assets	394	–	–	394
Provision for impairment losses on trade receivables, net	290	83	–	373
Write-off of inventories	–	46	–	46
Additions in property, plant and equipment	649	–	–	649
Additions in intangible assets	162	–	–	162
Consideration paid for acquisition of equity investment	–	–	1,900	1,900
Research and development expenses	2,483	–	–	2,483

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers which are based on the location of goods delivered.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from external customers:		
The PRC	24,314	23,177
Hong Kong	315	2,012
Canada	–*	141
	24,629	25,330

* Represents amount less than RMB1,000

No geographical segment information of the Group's non-current assets is presented as the Group's non-current assets (except for office equipment and one motor vehicles with total carrying amount of approximately RMB81,000 (2022: approximately RMB352,000) as presented in property, plant and equipment and right-of-use assets which are located in Hong Kong) are mainly located in the PRC by physical location of assets.

Information about major customers

The Group's revenue from any single external customers did not contribute 10% or more of the total revenue of the Group for the years ended 31 December 2023 and 2022.

4. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	185	402
Government grants (<i>Note</i>)	231	336
Loan interest income	219	7
Sundry income	99	139
	<u>734</u>	<u>884</u>

Note: In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the government grants.

5. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Foreign exchange gains, net	<u>251</u>	<u>860</u>

6. LOSS BEFORE TAX

This is stated after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finance costs		
Interest on lease liabilities	<u>53</u>	<u>55</u>
Staff costs, including directors' remuneration		
Directors' emoluments	2,743	2,991
Other staff costs:		
Salaries, bonuses and other benefits	10,029	9,914
Contributions to defined contribution plans	<u>2,075</u>	<u>1,881</u>
	<u>14,847</u>	<u>14,786</u>
Other items		
Auditor's remuneration	631	603
Amortisation of intangible assets (included in cost of sales)	677	394
Cost of inventories (<i>Note</i>)	8,536	8,416
Depreciation of property, plant and equipment	1,600	1,778
Depreciation of right-of-use assets	902	968
Other rental and related expenses – short-term leases	739	276
Gain on disposal of property, plant and equipment	(13)	–
Loss on disposal of right-of-use assets	22	–
Write-off of inventories (included in selling and distribution expenses)	<u>210</u>	<u>46</u>

Note: During the year ended 31 December 2023, cost of inventories included approximately RMB2,878,000 (2022: approximately RMB2,767,000) relating to the aggregate amount of certain staff costs, amortisation, depreciation and other rental and related expenses, which were included in the respective amounts as disclosed above.

7. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax – current year	<u>–</u>	<u>68</u>

The Company and the subsidiaries incorporated in the BVI are tax-exempted. Entity established in the PRC is subject to PRC Enterprise Income Tax at a statutory rate of 25%. Since the Group's PRC subsidiary, Shenzhen Huakang Bio-Medical Engineering Limited* (“**Shenzhen Huakang**”) is recognised as “High and New Technology Enterprise” and therefore is entitled to a concessional tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Shenzhen Huakang enjoying this tax benefit was obtained in November 2023 for the three years ending 15 November 2026.

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the years ended 31 December 2023 and 2022.

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2023	2022
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share (<i>RMB'000</i>)	<u>(5,782)</u>	<u>(3,075)</u>
Number of shares:		
Weighted average number of ordinary shares of the Company in issue for the purpose of basic loss per share	<u>415,962,411</u>	<u>404,638,970</u>

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 December 2023 and 2022.

9. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of each reporting period.

* *English translation is for identification purpose only*

10. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables from third parties	15,468	13,841
Less: allowance for credit losses	<u>(5,785)</u>	<u>(4,371)</u>
	<u>9,683</u>	<u>9,470</u>

In general, the Group will request deposits from the customers before the goods are delivered and the amount of deposits requested varies amongst different contracts. For certain long-term customers, the Group will deliver the goods without requesting deposits and allow a credit period from 30 to 180 days (2022: 30 to 180 days) to these customers and there is no credit period granted to other customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the dates of delivery of goods.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	1,419	1,530
31–90 days	2,786	2,742
91–180 days	2,561	2,579
Over 181 days	<u>2,917</u>	<u>2,619</u>
	<u>9,683</u>	<u>9,470</u>

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB8,607,000 (2022: approximately RMB8,277,000) which are past due as at the end of reporting date. Out of the past due balances, approximately RMB4,761,000 (2022: approximately RMB4,646,000) has been past due 90 days or more and is not considered as in default by considering the historical payment arrangement of these trade receivables. The Group does not hold any collateral over these balances.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Advance payment to suppliers	735	1,074
Other prepaid expenses	604	261
Loan receivable (Note (a))	3,800	3,800
Loan interest receivable (Note (a))	226	7
Refundable consideration paid (Note (b))	1,900	–
Rental and other deposits	130	151
Other receivables	<u>377</u>	<u>2,052</u>
	7,772	7,345
Less: allowance for credit losses	<u>(349)</u>	<u>–</u>
	<u>7,423</u>	<u>7,345</u>

Notes:

- (a) On 20 December 2022, Shenzhen Huakang entered into a loan agreement with Hainan Jinnuosai Medical Technology Company Limited* (“**Hainan Jinnuosai**”), pursuant to which Shenzhen Huakang agreed to grant an unsecured loan in the principal amount of RMB3,800,000 with maturity date on 19 December 2023 and bearing interest at the rate of 5.75% per annum as amended and supplemented by a supplemental loan agreements dated 9 February 2023. The loan was subsequently guaranteed by a deed of personal guarantee executed by Mr. Zhang Shuguang in favor of the Group on 21 March 2023. Mr. Zhang Shuguang is a director and substantial shareholder of the Company.

On 11 March 2024, the Group issued a legal letter to demand Hainan Jinnuosai to make immediate repayment of loan and loan interest receivables.

On 21 March 2024, the Group subsequently entered into a repayment arrangement with Hainan Jinnuosai and Shenzhen Maxson Technology Development Company Limited* (the “**Vendor**”), pursuant to which Hainan Jinnuosai will repay the outstanding balance of loan receivable and loan interest receivable and refundable consideration paid on behalf of the Vendor by instalments up to 31 December 2025. A subsequent instalment of RMB200,000 was received by the Group on 26 March 2024.

Details of the provision of loan were set out in the Company’s announcements dated 6 January 2023, 7 February 2023 and 9 February 2023.

- (b) On 19 December 2022, Shenzhen Huakang, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with the Vendor, pursuant to which the Vendor agreed to sell, and Shenzhen Huakang agreed to purchase, 19% equity interest in Hainan Jinnuosai, a company incorporated in the PRC with limited liability and is principally engaged in the manufacturing and sale of anoectochillus formosanus extractive (“**AFE**”) products and related supplements in the PRC, at a cash consideration of RMB1,900,000. The Group had fully paid the consideration directly to Hainan Jinnuosai on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement and Shenzhen Huakang had become shareholder of Hainan Jinnuosai after registration with relevant authorities in the PRC. Details of the transaction are set out in the Company’s announcement dated 6 January 2023, 7 February 2023 and 9 February 2023.

On 9 February 2023, Shenzhen Huakang and the Vendor entered into a supplemental agreement to the Sale and Purchase Agreement to amend and supplement certain conditions (the “**Conditions**”) of the Sale and Purchase Agreement, pursuant to which if the conditions are not fulfilled on or before 30 June 2023, the Vendor shall refund to Shenzhen Huakang the consideration of RMB1,900,000 and Shenzhen Huakang shall return to the Vendor the 19% equity interest in Hainan Jinnuosai.

On 30 June 2023, Shenzhen Huakang and the Vendor entered into a second supplemental agreement to the Sale and Purchase Agreement, pursuant to which, it was agreed that the date which the Conditions shall be fulfilled be changed from “on or before 30 June 2023” to “on or before 31 December 2023”. Save for the extension of the date to fulfill the Conditions, all other terms, conditions and provisions in the Sale and Purchase Agreement remain unchanged. Details are set out in the Company’s announcement dated 30 June 2023.

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. The Vendor is controlled by one of the ultimate beneficial owners of Hainan Jinnuosai who is also one of the directors of the Company’s former controlling shareholder and one of the ultimate beneficial owners of Smartronic.

* *English translation is for identification purpose only*

The consideration paid was guaranteed by a deed of personal guarantee executed by Mr. Zhang Shuguang in favor of the Group on 21 March 2023. Mr. Zhang Shuguang is a director and substantial shareholder of the Company.

The Conditions were not yet fulfilled up to 31 December 2023 and no further extension of the date to fulfill the Conditions was subsequently agreed, the Vendor should refund to Shenzhen Huakang the consideration of RMB1,900,000 and Shenzhen Huakang should return to Vendor the 19% equity interest in Hainan Jinnuosai. As such, the consideration paid for acquisition of equity investment of RMB1,900,000 was presented as refundable consideration paid.

On 11 March 2024, the Group issued a legal letter to demand the Vendor to make immediate refund of the consideration of RMB1,900,000.

12. TRADE PAYABLES

In general, the Group will make advance payment to suppliers before the materials are received. Some of the suppliers may deliver the materials to the Group without requesting advance payment and a credit period ranged from 30 to 90 days (2022: 30 to 90 days) is granted by these suppliers. The following is an aging analysis of trade payables presented based on the invoice date:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0–30 days	13	77
31–90 days	93	67
Over 90 days	532	685
	<u>638</u>	<u>829</u>

13. SHARE CAPITAL

	<i>Number of share</i>	<i>HK\$</i>	<i>Equivalent to RMB'000</i>
Authorised:			
At 31 December 2022 and 31 December 2023	1,000,000,000	10,000,000	8,851
Issued and fully paid ordinary shares at HK\$0.01 per share:			
At 1 January 2022	400,000,000	4,000,000	3,509
Issue of shares upon placing (<i>Note (a)</i>)	14,472,000	144,720	128
At 31 December 2022 and 1 January 2023	414,472,000	4,144,720	3,637
Issue of shares upon exercise of share options (<i>Note (b)</i>)	4,000,000	40,000	37
At 31 December 2023	<u>418,472,000</u>	<u>4,184,720</u>	<u>3,674</u>

Notes:

- (a) On 29 July 2022, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, up to 30,000,000 placing shares to not less than six independent placees at the placing price of HK\$0.18 per placing share. The placing was completed on 6 September 2022 and total of 14,472,000 placing shares have successfully been placed. The net proceeds of approximately HK\$2,580,000 (equivalent to approximately RMB2,305,000) of which approximately HK\$145,000 (equivalent to approximately RMB128,000) was credited to the Company's equity under share capital and the remaining balance of approximately HK\$2,435,000 (equivalent to approximately RMB2,177,000) was credit to the Company's equity under share premium. The placing shares rank *pari passu* with all existing shares in all respects.
- (b) On 18 August 2023, a total of 4,000,000 ordinary shares of HK\$0.01 each were issued upon exercise of 4,000,000 share options at the exercise price of HK\$0.125 per share option. The difference of approximately HK\$460,000 (equivalent to approximately RMB430,000) between the proceeds from exercise of share options of approximately HK\$500,000 (equivalent to approximately RMB467,000) and the nominal value of share capital of the Company issued of approximately HK\$40,000 (equivalent to approximately RMB37,000) was recognised in share premium account. The relevant share option reserve of approximately HK\$450,000 (equivalent to approximately RMB409,000) was transferred to the share premium account under the equity.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange (the “**Listing**”) on 13 December 2018 (the “**Listing Date**”) by way of share offer of 100,000,000 new shares (“**Share Offer**”) offered by the Company at HK\$0.5 per share and on 6 September 2022 by way of placing of 14,472,000 new Shares to not less than six independent placees at the placing price of HK\$0.180 per share (the “**Placing**”).

Biological Reagents and Auxiliary Reproductive Supplies and Equipment Segment

Our Group specialises in the research and development, manufacturing and sales of a wide range of In-Vitro Diagnostic (“**IVD**”) reagents in the PRC, particularly focusing on the PRC male fertility IVD reagent market. As at the date of this announcement, the Group’s product portfolio offers 30 biological reagents, including 27 male fertility IVD reagents, 2 parasite antibody detection reagents and 1 Epstein-Barr virus antibody detection reagent.

For the year ended 31 December 2023, the IVD reagents business operated by the Company’s principal subsidiary in the PRC experienced an increase of approximately RMB1.1 million, or 4.9% in revenue from the sales of biological reagents and auxiliary reproductive supplies and equipment.

Healthcare Products and Supplements Segment

Our Group has diversified its business to healthcare products and supplements in the PRC, Hong Kong and Canada. As at the date of this announcement, our Group has a total of 24 natural health product licences granted by the Natural Health Product Directorate of Health Canada under our registered brand “Nutronic” and our Group has already launched 12 products in the market. During the year ended 31 December 2023, the novel coronavirus (COVID-19) epidemic and its economic impacts together with increased competition in the healthcare supplement market that was impacting sales for this segment, resulted in significantly drop to 1.3% of the Group’s total revenue, as compared to approximately 8.5% during the year ended 31 December 2022.

To diversify our business, Shenzhen Huakang, an indirect wholly owned subsidiary of the Company, acquired a 19% equity interest in Hainan Jinnuosai in December 2022 (the “**Acquisition**”). This will provide access to intellectual property rights (“**IP**”) for anoectochilus formosanus extractive (“**AFE**”) from Huazhong University of Science and Technology* (“**University**”). However, the unsatisfactory progress in negotiating the cooperation details between Hainan Jinnuosai and the University, Shenzhen Huakang withdrew from the Acquisition when the sales and purchase agreement with the Vendor expired on 31 December 2023.

FUTURE PROSPECTS

Looking ahead, our Group will continue research and testing on rapid point-of-care diagnostic testing (“**POCT**”) using immunoassay techniques. Once we achieve satisfactory results, the Group intend to apply for medical device registration.

Our future strategic priorities are continuing research and development on POCT, seeking partnerships and distributors to strengthen our healthcare supplements business to promote the brand of “Nutronic” and distribute our products in a more efficient and cost effective way. Our Group believe diversification into these areas will contribute to the Group’s ongoing growth.

On 20 February 2024, our Group entered into a memorandum of understanding with Guangdong QianZhu Machine Technology Limited* (廣東慳豬娃娃機科技有限公司) (“**QianZhu**”), in relation to a potential cooperation in sale and distribution of the Group’s biological reagents and Point-Of-Care (POC) biomedical testing products (“**Product Series**”) through the platforms and channels of QianZhu in the PRC. Our Group consider it is a good opportunity to expand the sales and distribution channels of the Group’s Product Series in the PRC as well as to broaden its source of income.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by approximately RMB701,000, or approximately 2.8%, from approximately RMB25.3 million for the year ended 31 December 2022 to approximately RMB24.6 million for the year ended 31 December 2023. The decrease in revenue was mainly due to a decrease in the sales of healthcare products and supplements for the year ended 31 December 2023.

Sales of male fertility IVD reagents products remained to be our major products which accounted for approximately 78.3% of our total revenue generated from our sales of biological reagents and auxiliary reproductive supplies and equipment segment for the year ended 31 December 2023. Revenue from this segment for the year ended 31 December 2023 was approximately RMB24.3 million, which represented an increase of approximately RMB1.1 million or approximately 4.9% from approximately RMB23.2 million for the year ended 31 December 2022.

Sales of healthcare products and supplements generated approximately RMB315,000 for the year ended 31 December 2023, which represented a significant decrease of approximately RMB1.8 million or approximately 85.4% from approximately RMB2.2 million for the year ended 31 December 2022.

* *English translation is for identification purpose only*

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of approximately RMB16.1 million for the year ended 31 December 2023, representing a decrease of approximately RMB821,000, or approximately 4.9%, from approximately RMB16.9 million for the year ended 31 December 2022.

The Group's gross profit margin decreased from approximately 66.8% for the year ended 31 December 2022 to approximately 65.3% for the year ended 31 December 2023.

Other Income and Other Gains and Losses

Other income decreased approximately RMB150,000 or approximately 17.0% from approximately RMB884,000 for the year ended 31 December 2022 to approximately RMB734,000 for the year ended 31 December 2023. The decrease was primarily attributable to decrease in bank interest income.

We recorded other gains of approximately RMB251,000 for the year ended 31 December 2023, compared to approximately RMB860,000 for the year ended 31 December 2022. Such decrease was mainly attributable to the fluctuations in foreign exchange rate between foreign currency and RMB, the majority of which was unrealised foreign exchange difference.

Impairment Losses

The Group recorded impairment losses on trade receivables (net of reversal) of approximately RMB1.4 million for the year ended 31 December 2023, as compared to approximately RMB373,000 for the year ended 31 December 2022. The significant increase was mainly attributable to the deterioration of the repayabilities of the Group's distributors due to economic situation in the PRC.

The Group recorded impairment losses on loan and loan interest receivables and refundable consideration paid of approximately RMB349,000 for the year ended 31 December 2023, which is the expected credit loss estimated by the Group management with reference to the available information of the counterparty and adjusted for the relevant default probability analysis available in similar market.

Selling and Distribution Expenses

Selling and distribution expenses decreased approximately RMB334,000 or approximately 3.7%, from approximately RMB9.0 million for the year ended 31 December 2022 to approximately RMB8.6 million for the year ended 31 December 2023. The decrease was primarily attributable to a decrease in the cost of sales and marketing activities after the lifting of majority of the epidemic prevention and containment measures.

Administrative Expenses

Administrative expenses increased from approximately RMB9.8 million for the year ended 31 December 2022 to approximately RMB9.9 million for the year ended 31 December 2023, which represented a slightly increase of approximately RMB71,000 or approximately 0.7%.

Research and Development Expenses

Research and development expenses remained stable from approximately RMB2.5 million for the year ended 31 December 2022 to approximately RMB2.6 million for the year ended 31 December 2023, which represented a slightly increase of approximately RMB70,000 or approximately 2.8%.

Finance Costs

During the year ended 31 December 2023, finance costs mainly represented the interest on lease liabilities under application of Hong Kong Financial Reporting Standard (“**HKFRS**”) 16 was approximately RMB53,000 as compared to approximately RMB55,000 for the year ended 31 December 2022.

Results for the year

The loss attributable to owners of the Company was approximately RMB5.8 million for the year ended 31 December 2023 as compared to approximately RMB3.1 million for the year ended 31 December 2022. The significant increase in loss approximately RMB2.7 million or approximately 88.0%, was mainly attributable to decrease in gross profit of approximately RMB821,000, significant decrease in foreign exchange gains of approximately RMB609,000, significant increase in the amount of impairment losses on trade receivables of approximately RMB1.0 million and recognition of provision for impairment loss on loan and loan interest receivables and refundable consideration paid of approximately RMB349,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our Group funded the liquidity and capital requirements primarily through internally generated funds from operating activities, proceeds from the Listing and equity financing by Placing.

As at 31 December 2023, our Group recorded total cash and bank balances of approximately RMB32.9 million compared to approximately RMB33.3 million as at 31 December 2022, which were placed with major banks in the PRC and denominated in RMB and United States Dollars (“**US\$**”). The decrease was mainly due to the payments of daily operating expenses.

As at 31 December 2023, the lease liabilities under application of HKFRS 16 was approximately RMB2.3 million (2022: *approximately RMB469,000*). The gearing ratio of our Group calculated based on the lease liabilities divided by total equity as at 31 December 2023 was approximately 4.5% (2022: *approximately 0.8%*).

The capital structure of the Group comprised of issued share capital and reserves. The equity attributable to owners of the Company amounted to approximately RMB51.0 million as at 31 December 2023 (2022: *approximately RMB56.5 million*).

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged a motor vehicle for lease liabilities with aggregate net carrying amount of approximately RMB217,000 (31 December 2023: *Nil*).

CAPITAL COMMITMENTS

As at 31 December 2023 and 2022, the Group did not have any capital commitments in respect of the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2023, the Company had no outstanding corporate guarantee (31 December 2022: *Nil*). As at 31 December 2023, the Group had no banking facilities and did not have any significant contingent liabilities (31 December 2022: *Nil*).

FOREIGN EXCHANGE EXPOSURE

The functional currencies of our operations, assets and liabilities were mostly denominated in RMB. Therefore, we were not exposed to any significant foreign exchange risk for realised losses, except for our Hong Kong Dollars (“**HK\$**”), US\$ and Canadian Dollars (“**CAD\$**”) denominated bank balances. The Group currently did not have a foreign currency hedging policy. The Group did not engage in any derivatives agreements and did not commit to any financial instruments to hedge its foreign exchange exposure throughout the year ended 31 December 2023. The management will closely monitor foreign currency exposure and will consider hedging significant foreign currency exposure should the need arises.

TREASURY POLICIES

The Group will continue to employ a prudent treasury policies in managing the Group’s cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 19 December 2022, Shenzhen Huakang, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with the Vendor, pursuant to which the Vendor agreed to sell, and Shenzhen Huakang agreed to purchase, 19% equity interest in Hainan Jinnuosai, a company incorporated in the PRC with limited liability and is principally engaged in the manufacturing and sale of anoectochillus formosanus extractive (“**AFE**”) products and related supplements in the PRC, at a cash consideration of RMB1,900,000. The Group had fully paid the consideration directly to Hainan Jinnuosai on 19 December 2022 as paid-up capital in accordance with the Sale and Purchase Agreement and Shenzhen Huakang had become shareholder of Hainan Jinnuosai after registration with relevant authorities in the PRC. Details of the transaction are set out in the Company’s announcement dated 6 January 2023, 7 February 2023 and 9 February 2023.

On 9 February 2023, Shenzhen Huakang and the Vendor entered into a supplemental agreement to the Sale and Purchase Agreement to amend and supplement certain conditions (the “**Conditions**”) of the Sale and Purchase Agreement, pursuant to which if the conditions are not fulfilled on or before 30 June 2023, the Vendor shall refund to Shenzhen Huakang the consideration of RMB1,900,000 and Shenzhen Huakang shall return to the Vendor the 19% equity interest in Hainan Jinnuosai.

On 30 June 2023, Shenzhen Huakang and the Vendor entered into a second supplemental agreement to the Sale and Purchase Agreement, pursuant to which, it was agreed that the date which the Conditions shall be fulfilled be changed from “on or before 30 June 2023” to “on or before 31 December 2023”. Save for the extension of the date to fulfill the Conditions, all other terms, conditions and provisions in the Sale and Purchase Agreement remain unchanged. Details are set out in the Company’s announcement dated 30 June 2023.

The Conditions were not yet fulfilled up to 31 December 2023 and no further extension of the date to fulfill the Conditions was subsequently agreed, the Vendor should refund to Shenzhen Huakang the consideration of RMB1,900,000 and Shenzhen Huakang should return to Vendor the 19% equity interest in Hainan Jinnuosai.

Details of the transaction were set out in the Company’s announcements dated 6 January 2023, 7 February 2023, 9 February 2023 and 30 June 2023.

For the year ended 31 December 2023, save as disclosed above, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2023, the Group did not hold any significant investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 96 full-time employees (2022: 82). Staff costs recognised in profit or loss amounted to approximately RMB14.8 million (2022: approximately RMB14.8 million) for the year ended 31 December 2023 (including directors and other employee salaries and retirement benefits). Remuneration policies and packages for the Group's employees were based on individual qualifications, performance, experience, and conditions prevailing in the industry. In addition, various training sessions have been offered to employees to enhance their product and market knowledge.

EVENT AFTER THE END OF REPORTING PERIOD

Subsequent to 31 December 2023, save as disclosed elsewhere in the consolidated financial statements, the Group has the following subsequent events:

- (1) On 8 January 2024, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the agent, up to an aggregate of 82,000,000 placing shares at a placing price of HK\$0.105 per placing share to not less than six places who are individual, corporate, institutional investor or other investors that are third parties independent of the Company and its connected persons (the “**Placing 1**”). The Placing 1 was completed on 31 January 2024 and total of 20,000,000 placing shares have successfully been placed. The net proceeds of approximately HK\$1,990,000 which will be utilised for general working capital of the Group for its operations outside of the PRC. The placing shares rank *pari passu* with all existing shares in all respects.

Details are set out in the Company's announcement dated 8 January 2024, 15 January 2024 and 31 January 2024.

- (2) On 9 February 2024, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the agent, up to an aggregate of 62,000,000 placing shares at a placing price of HK\$0.096 per placing share to not less than six places who are individual, corporate, institutional investor or other investors that are third parties independent of the Company and its connected persons (the “**Placing 2**”). On 5 March 2024, the Company and the placing agent have entered into a supplemental placing agreement state that the placing price would be revised to HK\$0.104 per placing share and the long stop date has been extended from 5 March 2024 to 26 March 2024. The Placing 2 was completed on 21 March 2024 and total of 31,000,000 placing shares have successfully been placed. The net proceeds of approximately HK\$3,180,000 which will be utilised for general working capital of the Group for its operations outside of the PRC. The placing shares rank *pari passu* with all existing shares in all respects.

Details are set out in the Company's announcement dated 9 February 2024, 14 February 2024, 5 March 2024 and 21 March 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules, which has been renumbered as Appendix C1 under the GEM Listing Rules that came into effect on 31 December 2023.

The Company has adopted and complied with, where applicable, the CG Code during the year ended 31 December 2023 and up to the date of this announcement (the “**Relevant Period**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors (the “**Required Standard**”). Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the Required Standard during the Relevant Period, except for the incident in connection with the disposal of shares on 4 January 2023, which Mr. Zhang Shuguang is interested in the shares by reason of the Acting-in-concert Confirmation dated 16 November 2017, details of which were disclosed in the announcement of the Company dated 8 March 2023.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company (the “**relevant employees**”) who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director. No incident of noncompliance of the Required Standard by the relevant employees was noted by the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company, or subsisting during the year ended 31 December 2023.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% under the GEM Listing Rules since the Listing Date and up to the latest practicable date prior to the issue of this announcement.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2023, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

COMPETING INTEREST

The Directors confirm that none of the former controlling shareholders/substantial shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is like to compete, directly or indirectly, with our Group's business during the year ended 31 December 2023 and up to the date of this announcement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which, once the Shares are listed on GEM of the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provision of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein,

or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of listed issuers, will be as follows:

Long Positions in the Shares

Ordinary shares of HK\$0.01 each of the Company

Name of Directors/ Chief Executive	Capacity/ Nature of Interest	Number of ordinary shares held ⁽¹⁾	Number of share options held ⁽⁴⁾	Total interest	Percentage of shareholding ⁽²⁾
Mr. Zhang Shuguang	Interests of controlled corporation and concert party ⁽³⁾	209,256,000	4,000,000	213,256,000	51.0%
Mr. Zhang Chunguang	Beneficial owner	–	4,000,000	4,000,000	1.0%
Mr. Poon Lai Yin Michael	Beneficial owner	4,000,000	–	4,000,000	1.0%
Mr. He Jiaming	Beneficial owner	–	4,000,000	4,000,000	1.0%

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 418,472,000 Shares in issue as at 31 December 2023.
- (3) On 16 November 2017, Mr. Zhang Shuguang and Mr. Chang Yim Yang entered into the Acting-in-concert Confirmation (“**Confirmation**”) to acknowledge and confirm, among other things, that they have been and will be actively cooperating, communicating, and acting in concert with each other with respect to their interest in or the business of the relevant members of our Group since they became shareholders of the Company and will continue to act in concert after the signing of the Confirmation. For further details, please refer to the section headed “History and Reorganisation” in the Prospectus. The aggregate of 209,256,000 Shares and 4,000,000 share options are deemed to be interested by them in aggregate under the SFO, consist of (i) 144,032,000 Shares held by Crystal Grant Limited (“**Crystal Grant**”), a company wholly owned by Mr. Zhang Shuguang, in which Mr. Zhang Shuguang is deemed to be interested under the SFO; and (ii) 65,224,000 Shares held by Ever Charming Inc. (“**Ever Charming**”), a company wholly owned by Mr. Chang Yim Yang, in which Mr. Zhang Shuguang is deemed to be interested as a result of being a party acting in concert with Mr. Chang Yim Yang; and (iii) 4,000,000 share options granted to Mr. Zhang Shuguang on 9 April 2020.
- (4) Details of the underlying Shares of the Company held by the Director/chief executives are set out in the section headed “Share Option Scheme”.

Long Position in the Ordinary Shares of Associated Corporations

Name of Directors/ Chief Executive	Name of Associated Corporation	Capacity/ Nature of Interest	Number of ordinary shares held ^(Note)	Percentage of shareholding
Mr. Zhang Shuguang	Crystal Grant	Beneficial owner	100 shares of US\$1.00 each	100%

Note: All interest stated are long positions.

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would be required pursuant to Part XV of the SFO or Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Others Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of Interest	Number of ordinary shares held ⁽³⁾	Number of share options held ⁽⁴⁾	Total interest	Percentage of shareholding
Crystal Grant	Beneficial owner and concert party ⁽¹⁾	209,256,000	4,000,000	213,256,000	51.0%
Ever Charming	Beneficial owner and concert party ⁽¹⁾	209,256,000	4,000,000	213,256,000	51.0%
Mr. Chang Yim Yang	Interests of controlled corporation ⁽¹⁾	209,256,000	4,000,000	213,256,000	51.0%
Wealthy Pride Investment Limited (“Wealthy”)	Beneficial owner	28,800,000	–	28,800,000	6.9%
Lau Lai Yee	Interests of controlled corporation ⁽⁵⁾	28,800,000	–	28,800,000	6.9%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 418,472,000 Shares in issue as at 31 December 2023.
- (3) On 16 November 2017, Mr. Zhang Shuguang and Mr. Chang Yim Yang entered into the Confirmation to acknowledge and confirm, among other things, that they have been and will be actively cooperating, communicating, and acting in concert with each other with respect to their interest in or the business of the relevant members of our Group since they became shareholders of the Company and will continue to act in concert after the signing of the Confirmation. For further details, please refer to the section headed “History and Reorganisation” in the Prospectus. The aggregate of 239,456,000 Shares and 4,000,000 share options are deemed to be interested by them in aggregate under the SFO, consist of (i) 144,032,000 Shares held by Crystal Grant, a company wholly owned by Mr. Zhang Shuguang, in which Mr. Zhang Shuguang is deemed to be interested under the SFO; (ii) 95,424,000 Shares held by Ever Charming, a company wholly owned by Mr. Chang Yim Yang, in which Mr. Zhang Shuguang is deemed to be interested as a result of being a party acting in concert with Mr. Chang Yim Yang; and (iii) 4,000,000 share options granted to Mr. Zhang Shuguang on 9 April 2020.
- (4) Details of the underlying shares of the Company held by the substantial shareholder are set out in the section headed “Share Option Scheme”.
- (5) As Wealthy is wholly owned by Lau Lai Yee, who is deemed to be interested in all the shares held by Wealthy.

REVIEW BY AUDIT COMMITTEE

The Board has established the Audit Committee with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of the CG Code. The Audit Committee consists of four independent non-executive Directors, namely Dr. Cheng Faat Ting Gary (Chairman), Dr. Chow Kwok Fai Joseph, Mr. Chan Kin Sang and Ms. Chow Ching Man.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee has reviewed the audited consolidated financial statements and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited ("**Mazars**"), *Certified Public Accountants* to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Mazars on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website and the Company's website. The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2024

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, Mr. Chan Kin Sang and Ms. Chow Ching Man.

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.