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HUAKANG BIOMEDICAL HOLDINGS COMPANY LIMITED

華康生物醫學控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8622)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

**Placing Agent
Cheong Lee Securities Limited**

On 2 April 2024, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placers for up to 31,000,000 new Shares at a price of HK\$0.097 per Placing Share, for and on behalf of the Company.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Placing Shares. If such condition is not fulfilled, the Placing will not proceed.

The maximum number of 31,000,000 Placing Shares represents approximately 6.60% of the entire issued share capital of the Company of 469,472,000 Shares as at the date of this announcement and approximately 6.19% of the Company's entire issued share capital as enlarged by the Placing. The net proceeds from the Placing of approximately HK\$2.96 million (assuming the Placing Shares are fully placed and after all relevant expenses) will be used for general working capital.

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

THE PLACING AGREEMENT

Date

2 April 2024 (after trading hours)

Placing Agent

Cheong Lee Securities Limited. To the best of the Company's knowledge, information and belief, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Placees

The Placing Shares will be placed to not less than six Placees (who will be independent individual, corporate and/or other investors) and their ultimate beneficial owners will be Independent Third Parties. It is expected that no Placee will become a substantial Shareholder (as such term is defined in the GEM Listing Rules) immediately following completion of the Placing.

Number of Placing Shares

Up to 31,000,000 new Shares, to be placed by the Placing Agent on a best effort basis. Assuming the Placing Shares are fully placed, the Placing Shares represents approximately 6.60% of the entire issued share capital of the Company of 469,472,000 Shares as at the date of this announcement and approximately 6.19% of the Company's entire issued share capital as enlarged by the Placing. The nominal value of the Placing Shares is HK\$310,000.

Placing Price

HK\$0.097 per Placing Share. The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the recent trading price of the Shares on GEM. The Placing Price represents:

- (a) a discount of approximately 17.80% to the closing price of HK\$0.118 per Share as quoted on the GEM on 2 April 2024, being the date of the Placing Agreement; and
- (b) a discount of approximately 19.83% to the average closing price of approximately HK\$0.121 per Share as quoted on the GEM for the last 5 full trading days of the Shares immediately before 2 April 2024 being the date of the Placing Agreement.

The Company will bear the costs and expenses in connection with the Placing and the net proceeds from the Placing is estimated to be approximately HK\$2.96 million (assuming the Placing Shares are fully placed). As a result, the net price per Placing Share will be approximately HK\$0.095.

Placing Commission

The Placing Agent will receive a placing commission of 1.5% on the gross proceeds of the Placing.

General Mandate

The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the Company's annual general meeting held on 16 June 2023 up to 82,894,400 Shares. 20,000,000 Shares and 31,000,000 Shares have been allotted and issued pursuant to the general mandate on 31 January 2024 and 21 March 2024 respectively, the remaining balance of the placing shares which can be issued under the general mandate at the date of this announcement is 31,894,400..

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue an allotment of the Placing Shares.

Conditions to the Placing

The Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Placing Shares.

If the above condition is not fulfilled on or prior to 24 April 2024 or such later date as may be agreed between the Company and the Placing Agent, the Placing Agreement shall terminate and none of the Parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any antecedent breach).

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Placing Shares.

No Shareholders approval is required for the Placing.

Completion of the Placing

Subject to the satisfaction of the condition set out above, the Placing is expected to be completed on the third Business Day after fulfillment of the said condition or such later time and/or such other date as the Placing Agent and the Company may agree.

Termination

The Placing Agent may terminate the Placing Agreement prior to completion of the Placing Agreement if in the opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or is likely to be materially and adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement;
or
- (b) any suspension in dealings in or the listing of the Shares on the Stock Exchange for a period of more than 5 trading days (other than in connection with the Placing); or
- (c) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or

- (d) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
- (e) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (f) a change or development involving a prospective change in taxation in Hong Kong or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Group or its present or prospective shareholders in their capacity as such; or
- (g) any change or deterioration in the conditions of local, national or international securities markets.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF THE PROCEEDS

The Group is a medical device group specialised in the research and development, manufacture and sale of a wide range of in-vitro diagnostic reagents and auxiliary reproductive supplies and equipment in the People's Republic of China.

As disclosed in the annual result announcement for the year ended 31 December 2023, the Group had bank balances and cash of RMB32.9 million. However, among the said bank balance and cash, approximately RMB32.8 million were placed by Shenzhen Huakang Bio-Medical Engineering Limited* (深圳華康生物醫學工程有限公司) ("**Shenzhen Huakang**") with banks in the People's Republic of China (the "**PRC**") as at 31 December 2023, and the remittance of such funds out of the PRC is subject to the exchange controls imposed by the PRC government. In addition, while RMB is freely convertible for payments of current account items such as dividend payments, dividend payable by a foreign-invested enterprise in the PRC to its foreign enterprise investors are generally subject to a 10% withholding tax.

The Group is principally engaged in research and development, manufacture, marketing and sales of in-vitro diagnostic reagents and auxiliary reproductive supplies and equipment in the PRC through its PRC subsidiary Shenzhen Huakang. In view of the uncertainty brought forth by the economic downturn in mainland China, our Directors consider it essential, as a precautionary measure, to hold sufficient liquidity in order to ensure that the Group's business in the PRC does not face going concern problem as a result of insufficient cash flow.

As such, as at 31 December 2023, the Group had approximately RMB74,000 of bank balances and cash to serve as its working capital for its operations outside of the PRC. The Group's operations outside of the PRC consist of, inter alia, the operations of (i) its office in Hong Kong; and (ii) its business of healthcare products and supplements. The healthcare products and supplement segment recorded a loss of approximately RMB2.3 million for the year ended 31 December 2023. The estimated annual operating costs for the operations outside the PRC were approximately RMB5 million.

In light of the above, the Directors consider that it is in the best interests of the Company and its shareholders to raise funds by way of Placing and to apply such proceeds towards the Group's general working capital for its operations outside of the PRC and a good opportunity to broaden the shareholders base and capital base of the Company and to raise capital for the Group's business operation and working capital requirements. The Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The Company will bear all costs and expenses of approximately HK\$50,000 in connection with the Placing. The net proceeds of approximately HK\$2.96 million from the Placing will be used for general working capital, in which approximately HK\$1.5 million for salaries, rental and other corporate expenses; HK\$1 million for professional fees and the remaining for other operating expenses. It is expected that the net proceeds will be fully utilised by 31 December 2024.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted a fund raising activities in the past 12 months immediately before the date of this announcement.

On 8 January 2024, the Company issued an announcement in relation to, among other things, the placing of new shares under general mandate for a maximum of 82,000,000 placing shares at the placing price of HK\$0.105 per Placing Share. On 31 January 2024, the placing was completed and 20,000,000 shares were successfully placed. The net proceeds from the placing of approximately HK\$1.99 million will be utilised as general working capital of the Group for its operations outside of the PRC as disclosed in the aforesaid announcement.

On 9 February 2024, the Company issued an announcement in relation to, among other things, the placing of new shares under general mandate for a maximum of 62,000,000 placing shares at the placing price of HK\$0.096 per Placing Share. On 5 March 2024, the placing price revised to HK\$0.104 per Placing Share. On 21 March 2024, the placing was completed and 31,000,000 shares were successfully placed. The net proceeds from the placing of approximately HK\$3.18 million will be utilised as general working capital of the Group for its operations outside of the PRC as disclosed in the aforesaid announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings in the Company as at the date of this announcement and immediately after completion of the Placing is and will be as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the placing (assuming all the Placing Shares are fully placed)	
	<i>Number of Shares</i>	<i>Approximate % (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate % (Note 1)</i>
Crystal Grant Limited ("Crystal Grant") (Note 2)	138,672,000	29.54	138,672,000	27.71
Kokusai Resources Company Limited ("Kokusai") (Note 3)	72,752,000	15.50	72,752,000	14.54
Mr. Poon Lai Yin Michael (Note 4)	4,000,000	0.85	4,000,000	0.80
Places	-	-	31,000,000	6.19
Other public Shareholders	<u>254,048,000</u>	<u>54.11</u>	<u>254,048,000</u>	<u>50.76</u>
Total	<u>469,472,000</u>	<u>100</u>	<u>500,472,000</u>	<u>100</u>

Notes:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. Crystal Grant is beneficially owned by Mr. Zhang Shuguang (being the chairman of the Board and an executive Director).
3. Kokusai is beneficially owned by Lau Lai Yee.
4. Mr. Poon Lai Yin Michael is an executive director of the Company.

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

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board” the board of Directors of the Company

“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong) on which banks in Hong Kong are generally open for business
“Company”	Huakang Biomedical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (stock code: 8622)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“Listing Committee”	The Listing Committee of the Stock Exchange
“Placee(s)”	any individual, corporate or other investor procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Company, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	Cheong Lee Securities Limited
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 2 April 2024 in relation to the Placing
“Placing Price”	the placing price of HK\$0.097 per Placing Share
“Placing Shares”	up to 31,000,000 new Shares to be placed under the Placing
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 2 April 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 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.