
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huakang Biomedical Holdings Company Limited** (“Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 3rd Floor, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong on Monday, 13 January 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

This circular will remain on the “Latest Company Announcements” page of the website of GEM at <http://www.hkgem.com> for at least 7 days from the date of its posting and the website of the Company at www.huakangbiomedical.com.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given 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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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Adoption Date”	the date on which the Share Option Scheme becomes unconditional upon fulfilment of the conditions set out in the paragraph “Conditions of the adoption of the Share Option Scheme” in this circular
“associate(s)”	has the meaning as ascribed to it under in the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“close associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Company”	Huakang Biomedical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Companies Law”	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and amended and supplemented from time to time) of the Cayman Islands
“connected person”	has the meaning as ascribed to it under the GEM Listing Rules
“core connected person”	has the meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened to be held at 3rd Floor, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong, on Monday, 13 January 2020 at 2:30 p.m. for the Shareholders to consider and, if thought fit, approve, the adoption of the Share Option Scheme

DEFINITIONS

“Eligible Participant(s)”	any of the following classes of persons of any member of the Group: (a) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its Subsidiaries or any Invested Entity; (b) any non-executive directors (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and any company wholly owned by one or more persons belonging to any of the above classes
“Expiry Date”	in respect of an Option, the date of the expiry of the Option as may be determined by the Board which shall be the last day of the Option Period in respect of such Option
“GEM”	the GEM of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	any Eligible Participant who accepts the offer of the grant of an Option in accordance with the rules of the Share Option Scheme (where the context so permits) or his Personal Representative
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“inside information”	has the meaning defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	17 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Offer Date”	the date, which must be a business day, on which an offer for the grant of an Option is made to an Eligible Participant
“Option(s)”	as the context may require, any option(s) granted or to be granted to Eligible participant(s) to subscribe for Share(s) under the Share Option Scheme
“Option Period”	in respect of an Option, the period to be determined and notified by the Board to each grantee within which the Option may be exercisable provided that such period of time shall not exceed a period of ten years from the Offer Date and, in the absence of such determination, the period from the date of acceptance of the offer for the grant of an Option to the earlier of the date on which such Option lapses pursuant to the Share Option Scheme and ten years from the Offer Date
“Personal Representative(s)”	the person or persons who in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“Scheme Period”	a period commencing on the Adoption Date and ending on the date immediately preceding the date falling on the tenth anniversary of the Adoption Date (both dates inclusive)
“Securities Dealing Code”	the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company
“Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the EGM for the benefit of the Group, its full-time or part-time employees, executives or officers, the Subsidiaries and other Eligible Participants, a summary of the principal terms of which is set out in the Appendix to this circular
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subsidiary”

a company which is for the time being and from time to time a subsidiary of the Company within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) or the Companies Law, whether incorporated in Hong Kong, the Cayman Islands or elsewhere or any entity which is accounted for and consolidated in the audited consolidated financial statements of the Company as a subsidiary pursuant to the applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards and “Subsidiaries” shall be construed accordingly

“%”

per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Shuguang (*Chairman*)
Mr. Zhang Chunguang
Mr. Poon Lai Yin Michael

Independent non-executive Directors:

Dr. Yeung David Wai Chow
Mr. Kwok Chi Shing
Mr. Chan Kin Sang

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

3rd Floor, Effectual Building,
16 Hennessy Road, Wanchai,
Hong Kong

Hong Kong, 23 December 2019

To the Shareholders

Dear Sir or Madam,

ADOPTION OF SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to give you notice of the EGM and to provide you with information regarding the adoption of the Share Option Scheme. At the EGM, an ordinary resolution relating to the adoption of the Share Option Scheme will be proposed.

ADOPTION OF THE SHARE OPTION SCHEME

The Share Option Scheme

The Board now proposes to adopt the Share Option Scheme pursuant to Chapter 23 of the GEM Listing Rules and a resolution will be proposed at the EGM for the adoption of the Share Option Scheme.

The Directors consider that the Share Option Scheme will enable the Group to reward its employees, directors and other Eligible Participants for their contributions to the Group and will assist the Group in its recruitment and retention of high calibre employees and other Eligible Participants who are instrumental to

LETTER FROM THE BOARD

the growth and development of the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an Option must be held before an Option can be exercised on a case by case basis, and that the subscription price of an Option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that the Grantees will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the Options granted.

In addition, the Directors consider that the grant of share options to the Eligible Participants other than employees and directors of the Group is appropriate, and in the interest of the Company and the Shareholders as a whole given that the success of the Group requires the co-operation and contribution not only from the employees and directors of the Group, but also from parties who play a part in the business and operations of the Group, including advisers and/or consultants of the Group who will be senior professionals providing technical and strategic support to members of the Group, which all play an important part in the technical development and strategic business development of the Group. The grant of Options to such Eligible Participants can motivate them to continue to make their best efforts in providing more valuable advices and improved services to the Group and/or to maintain business relationship with the Group. Most importantly, with such incentives, such Eligible Participants are expected to work with the Group with commitment towards enhancing the value of the Group and the Shares, thereby benefiting the long-term growth of the Group and the interest of the Shareholders.

The Board will consider the merits of each grant on a case-by-case basis and the scope of Eligible Participants as set out in the Share Option Scheme allows the flexibility for the Board to exercise their discretion, in particular, in the cases where these individuals or entities have made or are expected to make significant contributions to, or have an important role in, the growth of the Group as a whole. The Board will be better positioned to take into account other factors to evaluate the contributions having been made to or expected to be made to the operation, financial performance, prospects, growth, reputation and image of the Group.

Pursuant to the terms of the Share Option Scheme, the Board shall have the right to determine and select Eligible Participants to whom the Options shall be granted.

As at the Latest Practicable Date, there were 400,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the approval of the Share Option Scheme by the Shareholders at the EGM, the initial maximum number of Shares that may be allotted and issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company will be 40,000,000 Shares, being 10% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the Shareholders at the EGM, which maximum number may however be refreshed as detailed in paragraph 3(b) and 3(c) of the Appendix to this circular provided that the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

LETTER FROM THE BOARD

No trustee will be appointed under the Share Option Scheme. As such, none of the Directors is a trustee of the Share Option Scheme nor has a direct or indirect interest in the trustee, if any. With respect to the operation of the Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 23 of the GEM Listing Rules.

Unless otherwise determined by the Directors and stated in the offer for the grant of an Option to a Grantee, there is no performance target and no minimum period for which an Option must be held before it can be exercised under the Share Option Scheme. The subscription price for Shares on the exercise of Options under the Share Option Scheme as determined by the Board, subject to any adjustments made pursuant to the Share Option Scheme, shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

Value of Options that can be granted under the Share Option Scheme

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date. The calculation of the value of the Options is based on a number of variables such as subscription price, exercise period, interest rate, expected volatility and other relevant variables. As Options have not been granted under the Share Option Scheme, certain variables are not available for calculating the value of the Options. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would even be misleading to the Shareholders.

As at the Latest Practicable Date, the Company had not granted or proposed or intended to grant any Option under the Share Option Scheme.

Conditions of the adoption of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

- (a) the passing of the necessary resolution of the Shareholders at the EGM to approve and adopt the Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, such number of Shares which may fall to be allotted and issued upon the exercise of Options in accordance with the terms and conditions of the Share Option Scheme (up to 10% of the Company's issued share Capital as at the date of the EGM).

LETTER FROM THE BOARD

General

A summary of the principal terms of the Share Option Scheme which is proposed to be approved and adopted at the EGM is set out in the Appendix to this circular. A copy of the rules of the Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at 3rd Floor, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong during normal business hours for the period from the date of this circular to the date of the EGM (inclusive of both dates) and at the EGM.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Options granted under the Share Option Scheme (up to 10% of the Company's issued share Capital as at the date of the EGM).

As at the Latest Practicable Date, no Option has been agreed to be granted under the Share Option Scheme.

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group, and none of the Directors or their respective close associates had or might have any other conflicts of interest with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules as if the Director were controlling Shareholders.

EGM

The EGM will be held at 3rd Floor, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong on Monday, 13 January 2020 at 2:30 p.m. for the purpose of considering, if thought fit, approving the adoption of the Share Option Scheme. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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

LETTER FROM THE BOARD

knowledge and belief the information contained in this circular 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 circular misleading.

RECOMMENDATION

The Directors are of the opinion that the adoption of the Share Option Scheme is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders to vote in favour of the resolution to be proposed at the EGM.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

On behalf of the Board
Huakang Biomedical Holdings Company Limited
ZHANG Shuguang
Chairman and Executive Director

The following is a summary of the principal terms of the Share Option Scheme, but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(1) PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group.

(2) WHO MAY JOIN

The Board shall, subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Scheme Period offer to grant an Option to any Eligible Participants who, in the sole opinion of the Board, have contributed to the development and growth of the Group whom the Board may in its absolute discretion select and subject to such conditions (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised) as it may think fit.

(3) MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) Unless further approval has been obtained pursuant to (b) and/or (c) below and subject to (d) and (e) below, the total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue on the date which the Share Option Scheme is approved by the Shareholders at the EGM, which is 40,000,000 Shares (assuming there will be no change in the number of issued Shares between the Latest Practicable Date and the date of approval of the Share Options Scheme at the EGM) (“**Scheme Limit**”).
- (b) Subject to (d) below, the Company may issue a circular to the Shareholders which complies with Rules 23.03(3) and 23.06 of the GEM Listing Rules and/or such other requirements prescribed under the GEM Listing Rules from time to time and seek approval of its shareholders in general meeting to refresh the Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.

- (c) Subject to (d) below, the Company may issue a circular to the Shareholders in compliance with Rules 23.03(3) and 23.06 of the GEM Listing Rules and/or such other requirements prescribed under the GEM Listing Rules from time to time, and seek separate approval of its shareholders in general meeting to grant Options under the Share Option Scheme beyond the Scheme Limit or, if applicable, the refreshed limit referred to in (b) above to Eligible Participants specifically identified by the Company before such approval is sought.
- (d) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit referred to in this paragraph (3)(d) being exceeded.
- (e) The Scheme Limit referred to in (a) above (or as refreshed in accordance with (b) and/or (c) above, as the case may be) may be adjusted, in such manner as the auditors or the approved independent financial adviser of the Company shall certify in writing to the Directors to be in their opinion, fair and reasonable in the event of any alteration in the capital structure of the Company whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation or reduction of share capital of the Company but in any event shall not exceed the limit prescribed in (d) above.
- (f) If the Company conducts a share consolidation or subdivision after the 10% limit set out in paragraphs 3(a) or 3(b) (as the case may be) has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the share option schemes of the Company under the 10% limit set out in paragraphs 3(a) or 3(b) (as the case may be) as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

(4) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under any other share option scheme of the Group to each Eligible Participant (including both exercised or outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Where any further grant of Options to an Eligible Participant under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue:

- (a) that grant shall be subject to (i) the issue of a circular by the Company to the Shareholders which shall comply with Rules 23.03(4) and 23.06 of the GEM Listing Rules and or such other requirements as prescribed under the GEM Listing Rules from time to time; and (ii) the approval of the Shareholders of the Company in general meeting at which that Eligible Participant and his close associates (or his associate if the Eligible Participants is a connected person) shall abstain from voting; and
- (b) unless provided otherwise in the GEM Listing Rules, the number and terms (including the subscription price) of Options to be granted to that Eligible Participant must be fixed before shareholders' approval and the date of the Board meeting at which the Board resolves to grant the proposed Options to that Eligible Participant shall be taken as the Offer Date for the purpose of calculating the subscription price.

(5) GRANT OF OPTIONS TO THE DIRECTORS, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDERS OF THE COMPANY OR ANY OF THEIR RESPECTIVE ASSOCIATES

- (a) Subject to (b) below, if the Board determines to offer to grant Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company who is the relevant Grantee).
- (b) If the Board determines to offer to grant Options to a substantial shareholder or an independent non-executive Director or any of their respective associates and that proposed grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the Offer Date:
 - (i) representing in aggregate over 0.1% of the Shares in issue on the Offer Date; and
 - (ii) having an aggregate value, based on the closing price of the Shares on the Offer Date, in excess of HK\$5 million,

such grant shall be subject to, in addition to the approval of the independent non-executive Directors of the Company as referred to (a) above, the issue of a circular by the Company to its Shareholders and the approval of the Shareholders of the Company in general meeting on a poll at which the relevant Grantee and his associates, and all core connected persons of the Company shall abstain from voting except that the relevant Grantee or any of his associates or

a core connected person of the Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in that circular in compliance with Rules 23.04 and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time.

Shareholders' approval as required under (b) above is also required for any change in the terms of Options granted to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates.

(6) TIME OF ACCEPTANCE OF AN OFFER OF THE GRANT OF OPTION AND EXERCISE OF OPTION

An offer for the grant of an Option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the offer for the grant of an option duly signed by the Grantee, together with a payment of HK\$1.00 by way of consideration for the grant thereof is received by the Company within 30 days from the Offer Date.

An Option may be exercised in accordance with the terms of the Share Option Scheme during the period to be determined and notified by the Board to each Grantee provided that such period of time shall not exceed a period of ten years from the Offer Date and, in the absence of such determination, the period from the date of acceptance of the offer for the grant of an Option to the earlier of the date on which such Option lapses pursuant to the Share Option Scheme and ten years from the Offer Date.

(7) MINIMUM PERIOD AND PERFORMANCE TARGETS

The Board may, in its discretion, require at the time of grant any particular Grantee to achieve such performance targets or hold an Option for any minimum period as the Board may then specify in the grant before any Options granted under the Share Option Scheme to such Grantee can be exercised.

(8) SUBSCRIPTION PRICE OF THE OPTIONS

The subscription price in relation to each Option offered to an Eligible Participant shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the Offer Date;
- (b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares.

The subscription price is subject to adjustments to be made in accordance with the Share Option Scheme.

(9) RANKING OF SHARES

- (a) The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the memorandum of association of the Company and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.
- (b) Unless the context otherwise requires, references to “Shares” in this paragraph shall include references to ordinary shares in the capital of the Company or, if there has been a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital in the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital in the share capital of the Company.

(10) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

For so long as the Shares are listed on GEM:

- (a) the Board shall not grant any Option after inside information has come to its knowledge until such inside information has been published in accordance with Rules 16.17 to 16.19 of the GEM Listing Rules or in such manner as required under the GEM Listing Rules. In particular, no Options shall be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for the approval of the Company’s results for any year, half year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) including any period of delay in publishing the results announcement,

and ending on the date of the results announcement; and

- (b) the Board may not make any offer to an Eligible Participant who is subject to the Securities Dealing Code during the periods or times in which such Eligible Participant is prohibited from dealing in Shares pursuant to the Securities Dealing Code.

(11) PERIOD OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective until ten years after the Adoption Date, after which period no further Options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(12) RIGHTS TO EXERCISE THE OPTION

Subject as hereinafter provided, an Option may (and may only) be exercised by the Grantee (or, as the case may be, his legal Personal Representative(s)) at any time or times during the Option Period provided that:

- (a) in the event of the Grantee, who is an employee of the Group or any Invested Entity at the time of the grant of the Option, ceases to be an employee thereof by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the Option in full, the Grantee or, as appropriate, his Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with the Group or Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraph 12(c), (d) or (e) occurs during such period, exercise the Option pursuant to paragraph 12(c), (d) or (e) respectively;
- (b) in the event that the Grantee, who is an employee of the Group or any Invested Entity at the time of the grant of the Option, ceases to be an employee thereof by reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 17(c) before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine, in which event the Grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 12(c), (d) or (e) occurs during such period, exercise the Option pursuant to paragraph 12(c), (d) or (e) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with the Group or the relevant Invested Entity whether salary is paid in lieu of notice or not;
- (c) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any

person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees (or his Personal Representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his Personal Representative(s)) shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in the Grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

- (d) in the event of an effective resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Grantee (or his Personal Representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company elect to exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two business days prior to the proposed general meeting of the Company considering such winding-up, such notice to be accompanied by the Subscription Price for the Shares in respect of which the notice is given, whereupon the Grantee shall be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his Option, to receive out of the assets available in the liquidation *pari passu* with the holders of the Shares such sum as would have been received in respect of the Shares the subject of such election; and

- (e) if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph 12(e)) on the same date as it despatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his Personal Representative(s)) shall be entitled to exercise all or any of his Options in whole or in part (to the extent not already exercised) at any time prior to 12:00 noon (Hong Kong time) on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Directors shall endeavor to procure that the Shares issued as a result of the exercise of Options under this paragraph 12 (e) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable

(but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(13) ADJUSTMENTS TO THE SUBSCRIPTION PRICE

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever, then, in any such case, the Company shall instruct the auditors or the independent financial adviser to the Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular Grantee, to:

- (a) the number of Shares to which the Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
- (b) the subscription price of any unexercised Option; and/or
- (c) the maximum number of Shares referred to in paragraph 3(a) and (d) above, and an adjustment as so certified by the auditors or the independent financial adviser to the Company shall be made, provided that:
 - (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (iii) no such adjustment shall be made the effect of which would increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment;
 - (iv) the issue of Shares or securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (v) for the avoidance of doubt, any adjustment shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/ GEM Listing Rule 23.03(13) and the note immediately after the rule, set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue.

In respect of any such adjustments, other than any made on a capitalization issue, the auditors or the independent financial adviser to the Company must confirm to the Directors in writing that such adjustments satisfy the requirements that they give a Grantee the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

(14) CANCELLATION OF OPTIONS

Any cancellation of Options granted but not exercised must be consented to by the Grantees of the relevant Options and in a manner that complies with all applicable legal requirement for cancellation. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph 17 below. Where the Company cancels Options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in paragraphs 3,4 and 5 above.

(15) TERMINATION OF THE SHARE OPTION SCHEME

The Company may, by resolution in general meeting, at any time terminate the operation of the Share Option Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and outstanding Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination of the Share Option Scheme shall be disclosed in the circular to Shareholders of the Company seeking approval of the first new scheme to be established after the termination of the Share Option Scheme.

(16) RIGHTS ARE PERSONAL TO THE GRANTEE

An Option shall be personal to the Grantee and shall not be transferrable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option granted to such Grantee to the extent not already exercised or lapsed.

(17) EARLY TERMINATION OF OPTION PERIOD

The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraph 12;

- (c) in case of an employee, the date on which the Grantee ceases to be an employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute) or any other grounds on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary or Invested Entity;
- (d) subject to Clause paragraph 12(d), the date of the commencement of the winding-up of the Company; and
- (e) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of breach of paragraph 16 by the Grantee in respect of that or any other Option.

(18) OTHERS

- (a) The Share Option Scheme shall take effect upon the passing of the necessary resolution of the shareholders of the Company to approve and adopt the rules of the Share Option Scheme and Stock Exchange granting approval of the listing of, and permission to deal in, such number of Shares representing the Scheme Limit to be allotted and issued by the Company pursuant to the exercise of Options under the Share Option Scheme.
- (b) The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme (provided that the same are not inconsistent with the Share Option Scheme and the GEM Listing Rules) may be altered in any respect by resolution of the Board except that:
 - (i) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) including without limitation, the provisions of the Share Option Scheme as to the definitions of "Eligible Participant", "Grantee" and "Option Period" of the provisions in the Share Option Scheme;
 - (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme; or
 - (iii) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme)

must be made with the prior approval of the shareholders of the Company in general meeting provided that the amended terms of the Share Option Scheme or the Options shall remain in compliance with Chapter 23 of the GEM Listing Rules and no alteration shall affect adversely the terms of issue of any Option granted but not exercised or agreed to be granted prior to such

alteration except with the consent or sanction of such majority of the Grantees as would be required of the holders of the Shares under the articles of association of the Company for the time being of the Company for a variation or the rights attached to the Shares.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Huakang Biomedical Holdings Company Limited (“**Company**”) will be held at 3rd Floor, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong on Monday, 13 January 2020 at 2:30 p.m. for the purposes of considering and, if thought fit, passing (with or without amendments), the following resolution of the Company as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the approval for the listing of, and permission to deal in, the shares of HK\$0.01 each (“**Shares**”) in the capital of the Company to be issued pursuant to the exercise of options which may be granted under the share option scheme of the Company (“**Share Option Scheme**”), a copy of which having been produced to the meeting marked “A” and signed by the Chairman for the purpose of identification, be and are hereby approved and adopted and that the board of directors (“**Directors**”) of the Company be and are hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme, including without limitation to:

- (a) administer the Share Option Scheme under which options will be granted to eligible participants under the Share Option Scheme to subscribe for Shares;
- (b) modify and/or amend the rules of the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the terms of the Share Option Scheme relating to the modification and/or amendment and subject to Chapter 23 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”);
- (c) allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the exercise of the options under the Share Option Scheme and subject to the GEM Listing Rules, provided that maximum number of shares of the Company that may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme and any other share option schemes of the Company will be 40,000,000 Shares, being 10% of the Company’s issued share capital as at the date of approval of the Share Option Scheme by the Shareholders at the EGM;

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- (d) make application at the appropriate time to the Stock Exchange, for the listing of, and permission to deal in, the Shares which may thereafter from time to time be allotted and issued pursuant to the exercise of the options under the Share Option Scheme; and
- (e) take all such action as they may consider necessary or expedient to implement the Share Option Scheme.”

As at the date of this notice, the Executive Directors are Mr. Zhang Shuguang, Mr. Zhang Chunguang and Mr. Poon Lai Yin Michael; and the Independent Non-executive Directors are Dr. Yeung David Wai Chow, Mr. Kwok Chi Shing and Mr. Chan Kin Sang.

On behalf of the Board
Huakang Biomedical Holdings Company Limited
Zhang Shuguang
Chairman and Executive Director

Hong Kong, 23 December 2019

Notes:

1. Subject to the provisions of the articles of association of the Company, any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. On a poll, votes may be given either in person or by proxy. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he/she/it or they represent as such member of the Company could exercise.
2. Where there are joint holders of Shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of a form of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such form of proxy on behalf of the corporation without further evidence of the facts.
4. A form of proxy for use at the EGM is enclosed with the Circular. Such form of proxy is also published on the website of the GEM of the Stock Exchange at www.hkgem.com and the Company's website at www.huakangbiomedical.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and return, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjourned meeting at which the person named in the form proposes to vote.
5. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

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6. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 January 2020.