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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)

VOLUNTARY ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE FORMATION OF A JOINT VENTURE COMPANY

The Board is pleased to announce that Huakang HK, a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Thunderbio on 8 April 2020 (“MOU”) after trading hours in relation to a possible formation of a joint venture company in Hong Kong for, among other things, (i) the R&D in relation to the use and application of microfluidic technology and Point-Of-Care (POC) biomedical testing for the male fertility diagnosis; and (ii) commercializing certain microfluidic diagnostic products of the male fertility market. The MOU is not intended to be legally binding save for certain provisions including those relating to due diligence, validity period and exclusivity, confidentiality and governing laws and jurisdiction.

Shareholders and potential investors of the Shares should be aware that the transactions contemplated under the MOU may or may not materialize. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The proposed joint venture, if materialized, may constitute a notifiable transaction for the Company under the GEM Listing Rules. Further announcement(s) will be made in accordance with the GEM Listing Rules as and when appropriate. This announcement is made by the Company on a voluntary basis for the purpose of keeping Shareholders and potential investors informed of the latest development of the Group.

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POSSIBLE FORMATION OF A JOINT VENTURE

The Board is pleased to announce that Huakang HK, a direct wholly-owned subsidiary of the Company, entered into a MOU with Thunderbio on 8 April 2020 after trading hours in relation to a possible formation of a JV in Hong Kong for, among other things, (i) the R&D in relation to the use and application of microfluidic technology and Point-Of-Care (POC) biomedical testing for the male fertility diagnosis; and (ii) commercializing certain microfluidic diagnostic products of the male fertility market.

THE MEMORANDUM OF UNDERSTANDING

Date

8 April 2020

Parties

- (A) Huakang HK; and
- (B) Thunderbio

SUBJECT MATTER OF THE MEMORANDUM OF UNDERSTANDING

The MOU sets out the Parties' intention to establish the JV in Hong Kong for (i) the R&D in relation to the use and application of microfluidic technology and Point-Of-Care (POC) biomedical testing for the male fertility diagnosis; and (ii) commercializing certain microfluidic diagnostic products of the male fertility market.

SHAREHOLDING STRUCTURE OF THE JV

The proposed percentage shareholdings of the shareholders of the JV are intended to be:

- (A) Huakang HK: 55%; and
- (B) Thunderbio: 45%

Subject to the terms to be further discussed and finalized in a formal joint venture agreement and other assignments and/or license agreements ("**Formal Agreements**"), the Parties intend to make the following contributions to the JV corresponding to their said respective proposed percentage shareholdings:

<u>Parties</u>	<u>Contributions</u>
Huakang HK	Contribution of not more than HK\$5.5 million to the JV for setting up of the JV Group, R&D activities and general working capital within 6 months from the incorporation of the JV provided that the said contribution of HK\$5.5 million shall be reduced accordingly if the valuation on the Thunderbio IP under an independent valuation report is below HK\$4.5 million.
Thunderbio	Grant exclusive licenses and rights to the JV regarding certain Thunderbio IP which would be applied in the JV's business in the male fertility market and to realize and commercialize all R&D results in the male fertility field with the valuation of such licenses and rights being not less than an aggregate value of HK\$4.5 million.

BOARD COMPOSITION

The board of JV is intended to be comprised of 5 directors with 3 of them to be appointed by Huakang HK and 2 of them to be appointed by Thunderbio.

VALIDITY PERIOD & EXCLUSIVITY

The MOU shall be valid for a period of six months from the date of signing this MOU or such later date that the Parties may otherwise agree in writing (the “**Validity Period**”). Within the Validity Period, neither the Parties (and/or their respective affiliates) nor any of their respective agents and representatives shall directly or indirectly, enter or agree to enter into any (or continue any existing) discussions, negotiations or agreements with any other person(s) for any same, similar or otherwise in conflict with the business(es) and/or transaction(s) as contemplated under the MOU.

During the Validity Period, the Parties shall negotiate in good faith and on sound commercial basis with a view to executing the Formal Agreements.

DUE DILIGENCE

Within the Validity Period, Huakang HK (and its officers, employees and advisers) shall be entitled to conduct due diligence and to assess and review the legal and financial records and affairs (including but not limited to the Thunderbio IP) of Thunderbio (and/or its group companies). Thunderbio (and/or its group companies) shall procure its officers, employees and advisers to provide all necessary assistance in Huakang HK’s due diligence exercise.

LEGAL EFFECT

The MOU is not intended to be legally binding save for certain provisions including due diligence, validity period and exclusivity, confidentiality and governing laws and jurisdiction. The specific terms and conditions of MOU shall be subject to negotiation between the Parties and shall be further agreed and set out in the Formal Agreement. None of the Parties and/or their designated persons is obliged to proceed with any business cooperation unless expressly set forth in the Formal Agreements.

BACKGROUND OF THE THUNDERBIO GROUP

Thunderbio Group is principally engaged in R&D of the microfluidic technology and molecular diagnosis within the PRC and Hong Kong. In this regard, it provides a range of appliances and devices applied with the microfluidic technology and molecular diagnosis purposes. To the best knowledge, information and belief of the Board, having made all reasonable enquiries, save as disclosed herein, Thunderbio and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

REASONS FOR ENTERING INTO THE MEMORANDUM OF UNDERSTANDING

It is part of the Group’s strategy to develop new products and improve existing products. In this connection, the Directors are of the view that it is a good opportunity to collaborate with Thunderbio so as to combine and leverage each other’s intellectual properties, technical know-how and resources in each other’s respective fields of expertise, namely (i) in the field of male fertility on the part of the Group; and (ii) in the field of microfluidic technology and molecular diagnosis on the part of Thunderbio. Valuable synergy is therefore expected to be generated by such pooling of each party’s intellectual properties, technical know-how and resources.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the Board of Directors
“Company”	Huakang Biomedical Holdings Company Limited (華康生物醫學控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange (Stock code: 08622)
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV”	a private limited company intended to be jointly incorporated in Hong Kong by Thunderbio and Huakang HK
“JV Group”	JV and its subsidiaries
“Huakang HK”	Huakang Biomedical Company Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly owned subsidiary of the Company
“microfluidic technology”	the technology of systems that process or manipulate small amounts of fluidics using channels measuring in micrometers
“Parties”	Parties to the MOU, namely Huakang HK and Thunderbio
“Point-Of-Care (POC)”	with-patient testing provided at or near a patient and at the site which achieve real-time and lab-quality diagnostic results within minutes or a short period of time
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“R&D”	research and development
“Thunderbio IP”	certain intellectual property rights from Thunderbio and/or the Thunderbio Group in relation to its microfluidic and molecular diagnosis technology

“Thunderbio”	Thunderbio Innovation Limited, a company incorporated in Hong Kong with limited liability
“Thunderbio Group”	Thunderbio and its subsidiaries
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 8 April 2020

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of publication and on the Company’s website at www.huakangbiomedical.com.