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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Huakang Biomedical Holdings Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 30 November 2018 (the “**Prospectus**”) in relation to the listing (the “**Listing**”) of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited by way of share offer (the “**Share Offer**”); and the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”) in which the utilisation of net proceeds from the Share Offer (the “**Net Proceeds**”) up to 30 June 2021 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS FROM THE SHARE OFFER

The Net Proceeds after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the listing, were approximately RMB14.7 million (equivalent to approximately HK\$16.6 million). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes: (i) developing new products, improving our existing products and carrying out international cooperation projects; (ii) expanding our sales network and enhancing our marketing activities; (iii) developing auxiliary reproductive supply business; and (iv) general working capital.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised amount of the Net Proceeds amounted to approximately RMB4.9 million (the “**Unutilised Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to reallocate part of the Unutilised Net Proceeds of approximately RMB4.1 million which was originally intended to be used for developing auxiliary reproductive supply business (the “**ARS Net Proceeds**”) as follows: (i) approximately RMB1.6 million to be used for developing new products and improving our existing products; (ii) approximately RMB2.0 million to be used for expanding our sales network; and (iii) approximately RMB500,000 to be used for general working capital of the Group. Set out below are original allocation of the Net Proceeds, the amount of the utilised Net Proceeds up to the date of this announcement, the amount of the Unutilised Net Proceeds as at the date of this announcement, the revised allocation of the Unutilised Net Proceeds and the expected timeline for the application of the Unutilised Net Proceeds.

Use of the Net Proceeds as disclosed in the Prospectus (Note 1)	Original allocation of the Net Proceeds RMB'000	Approximate amount of the utilised Net Proceeds up to the date of this announcement RMB'000	Approximate amount of the Unutilised Net Proceeds as at the date of this announcement RMB'000	Revised allocation of the Unutilised Net Proceeds RMB'000	Expected timeline for the application of the Unutilised Net Proceeds (Note 2)
Developing new products, improving our existing products and carrying out international cooperation projects	6,087	5,278	809	2,409	Expected to be fully utilised by 31 December 2022
Expanding our sales network and enhancing our marketing activities	4,011	4,011	-	2,000	Expected to be fully utilised by 31 December 2022
Developing auxiliary reproductive supply business	4,100	-	4,100	-	N/A
Working capital	481	481	-	500	Expected to be fully utilised by 31 December 2022
Total	14,679	9,770	4,909	4,909	

Note 1: Further details were set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Note 2: The expected timeline for application of the Unutilised Net Proceeds is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time.

It is expected that the Unutilised Net Proceeds will be fully utilised by 31 December 2022. Save for the aforesaid changes, there is no other change in the use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Prospectus, the Company originally intended to develop our auxiliary reproductive supply business to seize on business opportunities arising from the implementation of favourable government policies in relation to domestically manufactured medical devices and growth of the market demand. However, subsequent to the Listing, the uncertainty related to the market demand of auxiliary reproductive supply increased as a result of the decrease in birth rates of the People’s Republic of China (the “**PRC**”) while uncertain development of the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) has also caused significant financial distress to clients’ businesses and operation. As a result, the Company currently has not yet identified any suitable investment opportunities for the expansion into auxiliary reproductive supply business.

Meanwhile, in view of the uncertain development of the Epidemic, the Group requires additional capital to strengthen other existing business. The Board considers that the re-allocation of the ARS Net Proceeds to supplement the fund needs of (i) developing new products and improving our existing products; (ii) expanding our sales network; and (iii) general working capital for the ordinary operations of the Group as beneficial to meet the current operation needs of the Group and would enable the Group to deploy its financial resources in a more efficient and effective manner.

As at the date of this announcement, the Board confirms that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers that the change is in the best interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operation of the Group.

The Board will continuously assess the plans for the use of the Unutilised Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

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

Hong Kong, 31 December 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Shuguang, Mr. Zhang Chunguang, Mr. Poon Lai Yin Michael and Mr. He Jiaming; and the independent non-executive Directors are Dr. Chow Kwok Fai Joseph, Dr. Cheng Faat Ting Gary and Mr. Chan Kin Sang.

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

This announcement will remain on the "Latest Company Announcements" page of the 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.