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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)

SUPPLEMENTAL ANNOUNCEMENT PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Reference is made to the announcement of Huakang Biomedical Holdings Company Limited (the “**Company**”) dated 20 June 2022 (the “**Announcement**”) in respect of the Placing. Unless defined otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide further information in relation to the Placing.

ADDITIONAL REASONS FOR PLACING

The Directors appreciate that there were bank balances and cash of the Group in the sum of approximately RMB36,207,000 as at 31 December 2021. The Directors also appreciate that, as at 31 December 2021, RMB500,000 of unutilised proceeds from the listing of Shares on GEM of The Stock Exchange by way of share offer were allocated as the Group’s working capital (which is expected to be fully utilised by 31 December 2022).

However, among the RMB36,207,000 of bank balances and cash, approximately RMB35,156,000 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 2021, and the remittance of such funds out of the PRC is subject to the exchange controls imposed by the PRC government.

** The English name is for identification purpose only.*

As such, as at 31 December 2021, the Group had approximately RMB1,051,000 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.

In light of the bank balances and cash of the Group mentioned above, the Board wishes to further elaborate on various factors considered in conducting the Placing as follows:

- (1) Firstly, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, (i) the RMB is currently not a freely convertible currency and (ii) though 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.
- (2) Secondly, in view of (i) the Group is principally engaged in research and development, manufacture, marketing and sales of IVD reagents and auxiliary reproductive supplies and equipment in the PRC through its PRC subsidiary Shenzhen Huakang, and (ii) the uncertainty brought forth by the COVID-19 pandemic, 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 as a result of insufficient cash flow.
- (3) Thirdly, the Placing of new shares under General Mandate can increase the Group's working capital for its operations outside of the PRC. Our Directors' consider that it is in the best interests of the Company and its Shareholders to have additional working capital for such operations in light of the expanding business of healthcare products and supplements. For the three months ended 31 March 2022, the revenue recorded from our sales of healthcare products and supplements under the Nutronic brand represented approximately 15.4% of the Group's total revenue, as compared to 4.1% for the three months ended 31 March 2021.

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.

EXPECTED TIMELINE ON THE USAGE OF THE PLACING PROCEEDS

As disclosed in the Announcement, the maximum net proceeds from the Placing will be HK\$5.375 million. Assuming that the maximum net proceeds is raised by the Placing, the Directors expect the Placing proceeds to be fully utilised by the end of December 2023.

Shareholders and potential investors should note that the Completion 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.

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

Hong Kong, 29 June 2022

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 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.