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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)

DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF 91% INTEREST IN TARGET COMPANY

Reference is made to the voluntary announcement of the Company dated 24 January 2025 regarding memorandum of understanding in relation to the Acquisition.

THE EQUITY TRANSFER AGREEMENT

The Board announces that after trading hours on 16 April 2025, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with, among others, the Vendors and the Target Company, pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell, the Sale Equity at the consideration of RMB317,697.23 (equivalent to approximately HK\$336,759.06). The Sale Equity represents 91% of the registered capital of the Target Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios under the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Beijing Bapu, one of the Vendors, is wholly owned by Dr. Xu Ming, a non-executive Director, and thus a connected person of the Company under the GEM Listing Rules. As a result, the Acquisition constitutes a connected transaction of the Company.

Dr. Xu Ming, being the non-executive Director and the sole shareholder of Beijing Bapu (being one of the Vendors), abstained from voting on the Board resolution(s) approving the Acquisition and the transactions contemplated under the Equity Transfer Agreement. Save for the aforesaid, no other Director is required to abstain from voting on the Board resolutions in relation to the approval of the Acquisition.

As the relevant applicable percentage ratios for the Acquisition are less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Acquisition is on normal commercial terms, the connected transaction constituted by the Acquisition is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

THE EQUITY TRANSFER AGREEMENT

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The principal terms of the Equity Transfer Agreement are set out below:

Date

16 April 2025

Parties

- (i) Vendors: Nanjing Hezhen, Beijing Bapu and Changsha Kerong;
- (ii) Purchaser: Suqian Pannuo Technology Co., Ltd.* (宿遷市磐諾科技有限公司), a foreign-invested company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and
- (iii) Target Company: Hunan Keyue Biotechnology Co., Ltd.* (湖南可悅生物科技股份有限公司), a company established in the PRC with limited liability.

As at the date of this announcement, the Target Company is owned as to 51% by Nanjing Hezhen, 30% by Beijing Bapu, 10% by Changsha Kerong, and 9% by Zhang Yujing (張玉靜) (“**Ms. Zhang**”). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Nanjing Hezhen and Changsha Kerong and their respective ultimate beneficial owners; and (ii) Ms. Zhang (prior to her appointment mentioned below) are Independent Third Parties.

Beijing Bapu is wholly-owned by Dr. Xu Ming, a non-executive Director.

Ms. Zhang is expected to be appointed as an executive Director, and the Company will publish an announcement setting out biographical details of Ms. Zhang in compliance with Rule 17.50(2) of the GEM Listing Rules in due course.

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Sale Equity, representing 91% equity interests in the Target Company. Set out below is the registered capital and paid up capital of the Target Company at the date of the Equity Transfer Agreement:

No.	Shareholders	Registered capital <i>RMB'000</i>	Paid up capital <i>RMB'000</i>	Shareholding
1	Nanjing Hezhen	1,020	1,020	51%
2	Beijing Bapu	600	0	30%
3	Changsha Kerong	200	200	10%
4	Zhang Yujing	180	0	9%
	Total	<u>2,000</u>	<u>1,220</u>	<u>100%</u>

Consideration

The total Consideration for the Acquisition is RMB317,697.23 (equivalent to approximately HK\$336,759.06), which shall be payable by the Purchaser to the Vendors upon the fulfillment of all the conditions precedent and within five (5) working days after the completion of all the necessary procedures for payment (including but not limited to bank account opening, foreign investment and foreign exchange procedures) by the Purchaser.

The Consideration that the Purchaser shall pay to Nanjing Hezhen, Beijing Bapu and Changsha Kerong shall be RMB178,050.10 (equivalent to approximately HK\$188,733.11), RMB104,735.35 (equivalent to approximately HK\$111,019.47) and RMB34,911.78 (equivalent to approximately HK\$37,006.49), respectively.

The Consideration will be financed by external loans to be arranged by the Company.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to the net asset value of the Target Company as at 31 December 2024 in the amount of RMB349,117.84 pursuant to the audited report of the Target Company for the year ended 31 December 2024.

Conditions precedent

Completion shall be conditional upon the following conditions precedent have been fulfilled:

- (a) the Equity Transfer Agreement has been effective;
- (b) the Target Company has held a shareholders' meeting with effective resolutions to approve the Acquisition and its articles of association to be adopted after the Completion, and the Target Company has provided the Purchaser with the original copies of the related effective shareholders' resolutions and the Target Company's revised articles of association or the proposed amendments of articles of association of the Target Company for the Acquisition;
- (c) Dr. Xu Ming has signed the director's employment agreement with the Target Company in the form agreed by the Purchaser;
- (d) the Target Company has completed (i) the divestiture of the traditional Chinese herbal medicine clinic business; (ii) the change or cancellation of the traditional Chinese herbal medicine clinic business qualifications; and (iii) the transfer and delivery of relevant assets, in order to comply with applicable PRC laws and regulations;
- (e) the Purchaser has completed due diligence on the Target Company to its satisfaction;
- (f) the Vendors, the Founding Team and the Target Group have completed the delivery matters stipulated in the Equity Transfer Agreement;
- (g) the statements and guarantees of the Vendors, the Founding Team and the Target Group under the Equity Transfer Agreement are true and valid, and there is no breach of contract occurred or such breach of contract has been waived in writing by any other parties; and
- (h) the Vendors, Founding Team and the Target Group shall issue a written confirmation letter to the Purchaser to confirm that the conditions precedent have been met, and provide relevant supporting documents.

Completion

The Target Company shall complete the change of registration procedures, foreign-invested enterprise reporting procedures, foreign exchange registration, tax changes, changes in bank reserved seals and other change procedures for the Acquisition within ten (10) working days after the Completion Date. All parties undertake to cooperate unconditionally in the handling of such procedures.

Upon Completion, the Target Company will be owned as to 91% by the Company and will become a non-wholly owned subsidiary of the Company; and the financial results of the Target Company will be included in the consolidated financial statements of the Group.

Special indemnity

Within twenty-four (24) months from the Completion Date, if (1) there are facts occurring before the Completion Date that are significantly different from the statements and warranties made by the Vendors, the Founding Team and the Target Company under the Equity Transfer Agreement; or (2) the Target Company's assets are impaired, suffer losses or cause losses to the Purchaser due to matters related to the Target Company existing before the Completion Date, the Vendors and the Founding Team shall jointly and severally compensate the Purchaser.

If the Target Company or the Purchaser suffers any loss or incurs any liability due to the core products and their related intellectual property rights or there is any untruth or inaccuracy in the representations and warranties stipulated in certain clauses of the Equity Transfer Agreement, the Vendors and the Founding Team shall jointly and severally compensate the Purchaser and the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement in accordance with the Equity Transfer Agreement.

INFORMATION OF THE VENDORS

Nanjing Hezhen is a company incorporated in the PRC with limited liability and is owned as to 99% by Zhou Xunyong and as to 1% by Dai Chao. Nanjing Hezhen is principally engaged in using healthcare generative pre-training transformer and enzyme therapy knowledge to co-create a sharing platform to provide customers with a new generation of health solutions.

Beijing Bapu is a sole proprietorship established in the PRC and is wholly owned by Dr. Xu Ming, a non-executive Director. Beijing Bapu is principally engaged in (i) medical research: conducting medical-related scientific research and exploring new medical technologies and treatment methods; (ii) technology development and transfer: carrying out technology development, technology consulting, technology services and technology transfer to promote the innovation and application of medical technology; and (iii) conference services: providing conference services to promote academic exchanges and cooperation.

Changsha Kerong is a company incorporated in the PRC with limited liability and is owned as to 70% by Nanjing Hezhen and 30% by Tao Wei (陶煒). Changsha Kerong is principally engaged in digital health services to customers, which has established a health service team with medical experts, product experts and service experts as the core, and features artificial intelligence to provide users with health education, health consultation, and health management services.

INFORMATION OF THE TARGET GROUP

Each of the Target Company and Jiuhe Pharmaceutical is a limited liability company established in the PRC. Jiuhe Pharmaceutical is a direct wholly-owned subsidiary of the Target Company. The Target Group is principally engaged in the research and development and sales of women's health products, which cover female reproductive system solutions, health foods, antibacterial products and other fields. The Target Group owns two major brands, "Yukunshu"* ("玉坤舒") and "Qinghuiyue"* ("清徽悦").

The original costs of 30% of the equity interests in the Target Company held by Beijing Bapu was RMB0.

Set out below is certain audited financial information of the Target Company (prepared in accordance with the generally accepted accounting principles of the PRC) for the years ended 31 December 2024 and 31 December 2023 respectively:

	For the year ended 31 December 2024	For the year ended 31 December 2023
	<i>Approximately RMB (audited)</i>	<i>Approximately RMB (audited)</i>
Revenue	2,067,474.91	0
Loss before taxation	959,553.41	1,197
Loss after taxation	867,502.41	1,197

The audited total assets and the audited net assets of the Target Company as at 31 December 2024 were approximately RMB1,502,492.86 (equivalent to approximately HK\$1,592,642.43) and RMB349,117.84 (equivalent to approximately HK\$370,064.91) respectively.

Upon Completion, the Purchaser will hold 91% of the registered capital of the Target Company; and the Target Company will become an indirect non-wholly owned subsidiary of the Company, the financial results of which will be consolidated with the results of the Group.

INFORMATION OF THE GROUP

The Group is a medical device group specialised in the research and development, manufacture and sale of a wide range of in-vitro diagnostic ("IVD") reagents and auxiliary reproductive supplies and equipment in the PRC. The Group has diversified its business to healthcare products and supplements in the PRC, Hong Kong and Canada. As at the date of this announcement, the Group has a total of 31 biological reagents, including 28 male fertility IVD reagents, 2 parasite antibody detection reagents, and 1 Epstein-Barr virus antibody detection reagent.

The Purchaser is a foreign-invested company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

To tap into the incredible business opportunities in the growing women's health market in the PRC and elsewhere, both the Group and the Target Company have established strong foundations. The Group has a foreign supply chain system and international sales network, while the Target Company has research and development experience, product lines and market channels in the domestic women's health market in the PRC. Accordingly, the Board considers the Acquisition will give full play to their respective advantages, realise resource sharing and complement each other's advantages, jointly expand the domestic and foreign women's health market, and meet the growing health needs of female consumers.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are determined after arm's length negotiations between the parties thereto and are fair and reasonable, and the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios under the GEM Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, Beijing Bapu, one of the Vendors, is wholly owned by Dr. Xu Ming, a non-executive Director, and thus a connected person of the Company under the GEM Listing Rules. As a result, the Acquisition constitutes a connected transaction of the Company.

Dr. Xu Ming, being the non-executive Director and the sole shareholder of Beijing Bapu, one of the Vendors, abstained from voting on the Board resolution(s) approving the Acquisition and the transactions contemplated under the Equity Transfer Agreement. Save for the aforesaid, no other Director is required to abstain from voting on the Board resolutions in relation to the approval of the Acquisition.

As the applicable percentage ratios for the Acquisition are less than 25% and the total consideration in respect thereof is less than HK\$10,000,000 and the Acquisition is on normal commercial terms, the connected transaction constituted by the Acquisition is only subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings:

“Acquisition”	the acquisition of the Sale Equity
“Beijing Bapu”	Beijing Bapu International Medical Research Institute* (北京巴普國際醫學研究院), a sole proprietorship established in the PRC
“Board”	the board of Directors
“Changsha Kerong”	Changsha Kerong Health Technology Co., Ltd.* (長沙可容健康科技股份有限公司), a limited liability company established in the PRC
“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: 8622)
“Completion”	completion of the sale and purchase of the Sale Equity and payment of the Consideration by the Purchaser to the Vendors in accordance with the Equity Transfer Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the sum of RMB317,697.23 (equivalent to approximately HK\$336,759.06), being the total consideration for the purchase of the Sale Equity payable by the Purchaser to the Vendors
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 16 April 2025 entered into between, among others, the Purchaser, the Vendors, the Target Company and Dr. Xu Ming in relation to the sale and purchase of the Sale Equity
“Founding Team”	Changsha Kerong, Zhang Yujing, Xu Ming and Zhou Xunyong (周訓勇)
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Jiuhe Pharmaceutical”	Hunan Jiuhe Pharmaceutical Technology Co., Ltd.* (湖南九合醫藥科技股份有限公司), a limited liability company established in the PRC
“Nanjing Hezhen”	Nanjing Hezhen Holding Group Co., Ltd.* (南京和臻控股集團有限公司), a limited liability company established in the PRC
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Suqian Pannuo Technology Co., Ltd.* (宿遷市磐諾科技有限公司), a foreign-invested company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	renminbi, the lawful currency of the PRC
“Sale Equity”	91% of the registered capital of the Target Company, which are owned by the Vendors as at the date of the Equity Transfer Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Hunan Keyue Biotechnology Co., Ltd.* (湖南可悅生物科技股份有限公司), a limited liability company established in the PRC
“Target Group”	the Target Company and its subsidiary Jiuhe Pharmaceutical
“Vendors”	Nanjing Hezhen, Beijing Bapu, and Changsha Kerong
“working day(s)”	any day(s) except Saturday, Sunday and public holidays in the PRC

“%” percent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1 to HK\$1.06. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute representations that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 16 April 2025

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; the Non-executive Directors are Dr. Bu Su and Dr. Xu Ming; and the Independent Non-executive Directors are Dr. Chow Kwok Fai Joseph, Dr. Cheng Faat Ting Gary and Mr. Tsui Wing Tak.

This announcement, 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 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 Listed Company Information” 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.

* For identification only