

**HUAKANG BIOMEDICAL HOLDINGS COMPANY LTD:  
MANAGEMENT HAD TO PASS ROUND  
THE BEGGING BOWL IN ORDER TO  
OBTAIN FUNDING FOR THIS INITIAL PUBLIC OFFERING**

Huakang Biomedical Holdings Company Ltd () (Code: 8622, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) has intimated to all prospective investors, in no uncertain terms, that the Company is quite likely to be reporting a Net Loss Attributable to Shareholders in respect of the Current Financial Year, ending December 31, 2018.

The Company's Share Offer Prospectus, dated November 30, 2018, has stated as such.

Further, to be able to launch its **I**nitial **P**ublic **O**ffering (**IPO**) on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Company had to go, cap in hand, in order to obtain just \$HK20 million from three Pre-IPO Investors, that amount of money, required to meet anticipated Listing Expenses plus other expenses.

The Pre-IPO Investors, on August 31, 2017, anted up the cash and were, in aggregate, given 2,500 shares in the then Issued Share Capital of the Company.

That amount of \$HK20 million was required to furnish sufficient funds to meet expenses in respect of the launching of the Company's IPO on The GEM, as well as to be utilised for administrative expenses and the repayment (obviously of a loan) to one of the Controlling Shareholders of the Company.

(More about the Pre-IPO Investors, later on in this analysis.)

## The IPO Of Huakang Biomedical Holdings Company Ltd

Huakang Biomedical Holdings Company Ltd published and disseminated its Share Offer Prospectus on Friday, November 30, 2018.

The Company is Offering 100 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 44 cents to a high of 64 cents.

Investors of the HKSAR are Offered 10 million Shares and 90 million Shares are Offered to Institutional, Professional and/or Well-Heeled Individuals/Corporate Entities via select Share Placements.

At Pages 263 and 264 of the Share Offer Prospectus, prospective investors are informed as to how the net proceeds of the IPO are expected to be allocated.

The below-mentioned utilisations of the net proceeds of the IPO are based on the Share Price, having been struck at the midpoint of the Indicative Offer Price, being 54 cents:

1. About 41.50 percent of the net proceeds, that is approximately \$HK8.40 million, *‘will be used for developing new products, improving our existing products and carrying out international cooperation projects’*;
2. About 27.30 percent of the net proceeds, that is approximately \$HK5.50 million, *‘will be used for expanding our sales network and enhancing our sales and marketing activities’*;
3. About 27.90 percent of the net proceeds, that is approximately \$HK5.60 million, *‘will be used for developing our auxiliary reproductive supply business. As our customers and end users of our male fertility IVD (In-Vitro Diagnostic – performed or taking place in a test tube, culture dish, or elsewhere outside a living organism) reagents also requires auxiliary reproductive supplies and equipments (sic) for conducting infertility diagnosis process, our current sales and distribution network with a broad geographical reach in China and our strong customer base will also smooth our way for marketing and launching our auxiliary reproductive supplies and equipment in this market. Therefore, although our auxiliary reproductive supply business accounted for a relatively small portion of our Group’s total revenue during the Track Record Period (the 41 months to May 31, 2018), we intend to leverage on our existing customer base which demand more auxiliary reproductive supplies and equipment to facilitate the use of our IVD reagents. The current end users for our male fertility IVD reagents are the reproductive centres and andrology centres of hospitals and medical institutions which may also be the end users for our auxiliary reproductive supplies and equipment. We can make use of our good and stable business relationships with our existing customers and end users to develop our auxiliary reproductive supply business, and seize on*

*business opportunities arising from the implementation of favourable (Chinese) government policies in relation to domestically manufactured medical devices. In 2017, the PRC government promulgated a series of policies and implemented relevant measures for the development of domestically manufactured medical devices. The PRC government introduced measures to promote and incentivise the development of domestic medical equipment, such as upgrading the relevant standards in favor of domestic medical devices and requiring 30% of the hospitals to procure domestic medical devices. Such policies are expected to increase the demand for domestic medical devices which may lead to increasing sales of our auxiliary reproductive supplies. Further, the universal two-child policy has been implemented since January 2016. Our Directors believe that the increasing demands for bearing a second child from mid-aged couples who are more likely to encounter infertility problems will not only boost the demand for our male fertility IVD reagents, but also that for our auxiliary reproductive supply business. During the Track Record Period, a majority of our auxiliary reproductive supplies and equipment were sold through direct sales and the rest of such products were sold through distributors, and the relevant customers are in the same locations as our customers of male fertility IVD reagents. We will continue to monitor and analyse the market demand and outlook of the PRC auxiliary reproductive supply market. In any event that our Group does not set up production lines due to low receptiveness of the auxiliary reproductive supplies and equipment, we then will allocate the respective net proceeds to developing our product pipeline of male fertility IVD reagents. Our Directors believe that there will not be any material impact on our business plans'; and,*

4. About 3.30 percent of the net proceeds, that is approximately \$HK661,000, 'will be used for funding working capital.'

### **The Business Of Huakang Biomedical Holdings Company Ltd**

Huakang Biomedical Holdings Company Ltd is engaged in the business of research and development with a focus, today, on the manufacture and sales of IVD reagents in the PRC.

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