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和美醫療控股有限公司
HARMONICARE MEDICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1509)

**QUARTERLY UPDATE ANNOUNCEMENT ON THE RESUMPTION PROGRESS
AND
CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND
TRANSFER OFFICE**

This announcement is made by Harmonicare Medical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 and Rule 13.24A of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (1) the announcement of the Company dated 28 March 2019 in relation to its delay in the publication of annual results and despatch of annual report for the year ended 31 December 2018, (2) the announcement of the Company dated 7 May 2019 in relation to its publication of unaudited management accounts for the year ended 31 December 2018 and the engagement of BDO Financial Services Limited as its independent internal control consultant (“**Internal Control Consultant**”) and (3) the announcement of the Company dated 12 June 2019 in relation to the guidance received from The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) regarding the resumption of trading of the Company’s shares on the Stock Exchange (the “**Resumption Guidance Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 28 March 2019 unless otherwise stated herein.

BUSINESS OPERATIONS

The Group is mainly engaged in providing high-quality healthcare services to women and children. The Group has continued its normal business operations since the suspension of trading in the Company’s shares. Since 1 April 2019 and up to the date of this announcement, there has been no major change on the business operations of the Group.

The Company would like to update the Shareholders that a development in relation to an income rights transfer agreement (投資份額收益權轉讓協議) which Hibaby entered into on 27 July 2018 (the “**Income Rights Transfer Agreement**”) in its capacity as the shareholder of Jiangxi Honeymoon Maternal and Child Health Industry Development Co., Ltd.* (江西蜜月母嬰健康產業發展有限公司) (“**Jiangxi Honeymoon**”) (a subsidiary owned by Hibaby as to 52.96% (the “**Interest**”)) has come to the Company’s knowledge.

On 27 July 2018, Hibaby entered into the Income Rights Transfer Agreement with, among others, Jiangxi Honeymoon, Beijing Duocaitou Internet Technology Co. Ltd.* (北京多彩投網絡科技有限公司), a limited liability company established in the PRC (“**Duocaitou**”), Beijing Duocai Weidu Asset Management Co. Ltd.* (北京多彩維度資產管理有限公司), a limited liability company established in the PRC and 144 investors (the “**Investors**”). Pursuant to the Income Rights Transfer Agreement, it is agreed, among others, that (1) Hibaby, as the shareholder of Jiangxi Honeymoon, shall transfer its income right to the Investors at a consideration of RMB100,000 per 0.0833% of equity interest in Jiangxi Honeymoon for an investment term of three years; (2) during such term, Hibaby and Jiangxi Honeymoon shall pay the Investors their investment income based on a fixed payment schedule; and (3) upon expiry of the investment term, Hibaby shall repurchase such income right from the Investors at their investment principal. As a result of the Income Rights Transfer Agreement, Hibaby raised RMB19.4 million from the Investors through Duocaitou and the Investors are entitled to the corresponding income rights in Jiangxi Honeymoon held by Hibaby.

A supplemental agreement to the Income Rights Transfer Agreement (the “**Supplemental Agreement**”) was entered into by and among Hibaby, Jiangxi Honeymoon and two other minor shareholders of Jiangxi Honeymoon (the “**Minor Shareholders**”), pursuant to which the Minor Shareholders are entitled to a right of first refusal (the “**Right**”) to the Interest at a consideration of not more than RMB19.4 million (the “**Consideration**”) if (i) the Interest has to be transferred to any other third party due to Hibaby’s failure to pay the principal and the investment income under the Income Rights Transfer Agreement on time, or (ii) Jiangxi Honeymoon is caused to assume the guarantee liability under the Income Rights Transfer Agreement.

In June 2019, as Hibaby did not pay the investment income under the Income Rights Transfer Agreement on time, the Minor Shareholders proposed to exercise the Right at the Consideration (the “**Proposed Exercise of Right**”) in order to make a payment to the Investors.

On 25 June 2019, the Board considered the Income Rights Transfer Agreement, the Supplemental Agreement and the Proposed Exercise of Right proposed by the management of Hibaby. Given that (1) the proposed Consideration was unreasonable (compared with Hibaby's original investment cost of RMB28.76 million, and (2) despite of the Right, Hibaby should be allowed to seek a transfer to other third parties who can offer more favorable terms, the Board resolved that, Hibaby shall not agree with the Proposed Exercise of Right and shall continue to seek other solutions that are more beneficial to its shareholders. Furthermore, since the individual who provided guarantee under the Income Rights Transfer Agreement is affiliated with one of the Sellers in the Equity Transfer, the Board proposed to negotiate and resolve the issue in relation to the Proposed Exercise of Right together with the Proposed Settlement with the Sellers.

The Board will conduct further review of and make improvements to its internal control systems and procedures in this regard.

PROGRESS OF INTERNAL CONTROL REVIEW

As set out in the Resumption Guidance Announcement, one of the resumption guidance is to demonstrate to the satisfaction of the Stock Exchange that the Company has put in place adequate internal control systems and procedures to meet its obligations under the Listing Rules. To assist the Company in fulfilling this condition and as part of the additional steps that Deloitte would need to take before signing off on the 2018 Annual Results, the Audit Committee has independently engaged the Internal Control Consultant to review the internal control procedures of the Company (the "**Review**").

The Board would like to inform the Shareholders and potential investors of the Company that the Review is expected to be completed in or around the end of July 2019 and the Internal Control Consultant will formally issue their report thereafter (the "**Report**"). The scope of work of the Internal Control Consultant included an independent assessment of the internal control systems of the Group which addressed, among others, the matters surrounding the Equity Transfer as set out in the announcement of the Company dated 28 March 2019.

The Internal Control Consultant performed reviews on the internal control systems of the Group covering the period from 1 January 2018 to 31 March 2019 which involved collecting the relevant information, conducting site visits and interviews, and reviewing the relevant documentations. Through this process, a list of issues were identified and the Internal Control Consultant recommended certain improvements

and measures of rectification to address such issues for the Company to consider. The Company has considered and preliminarily implemented such recommended improvements and measures of rectification.

A draft of the Report and the preliminary plan for measures to rectify the internal control deficiencies identified in the draft Report were submitted to the Directors for their consideration on 25 June 2019. Having reviewed the findings in the draft Report, and having taken into consideration the improvements and measures of rectification preliminarily implemented in accordance with the Internal Control Consultant's recommendations, the Board will make further efforts to improve the Company's internal control systems, and strictly comply with the applicable internal control standards and requirements under the Listing Rules. It is expected that Board meeting(s) will be held in due course to approve and implement in details the advanced plan for measures of rectification. Thereafter, the Internal Control Consultant will perform follow-up review(s), and depending on the progress of rectification, consider making further recommendations or giving feedback to the Company.

UPDATE ON THE TIMELINE IN FULFILLING THE RESUMPTION CONDITIONS

The following table sets forth the pending events and update in the expected timetable for the resumption of trading in the shares of the Company:

Key event	Timetable
Announcement of the findings of the Review	In or around the end of July 2019
Publication of the 2018 Annual Results	Subject to further assessment by the Board
Publication of the 2018 Annual Report	Subject to further assessment by the Board
Resumption of trading in the shares of the Company	Subject to further assessment by the Board

Further to what is disclosed in the announcements dated 28 March 2019 and 7 May 2019 of the Company, (1) as there has been no material progress on the Proposed Settlement, and the arbitration proceedings in connection with the Equity Transfer will commence on 15 July 2019; and (2) Deloitte would still need to take additional steps before signing off on the 2018 Annual Results, the publication of the 2018 Annual Results is delayed accordingly. The Company will (1) endeavour to continue

negotiations on the Proposed Settlement with the Sellers; and (2) continue to cooperate with Deloitte to complete its audit work as soon as possible, and have the outstanding 2018 Annual Results audited and announced, and despatch its 2018 Annual Report as soon as practicable.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the “**Branch Share Registrar**”), will change its address from Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong to:

**Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2019. Trading in the shares of the Company will remain suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Harmonicare Medical Holdings Limited
Lin Yuming
Chairman, Executive Director and President

Hong Kong, 28 June 2019

As at the date of this announcement, the executive Directors are Mr. Lin Yuming, Mr. Fang Zhifeng and Mr. Zhao Xingli; the non-executive Directors are Mr. Lin Yuguo, Mr. Qiu Jianwei and Mr. Xu Jun; and the independent non-executive Directors are Mr. Kong Aiguo, Ms. Fang Lan and Mr. Cai Jiangnan.

** For identification purposes only*