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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)

DISCLOSEABLE TRANSACTION — DISPOSAL OF THE ENTIRE EQUITY INTERESTS OF THREE SUBSIDIARIES

THE DISPOSAL AGREEMENT

On 24 July 2019, Guiyang HarMoniCare Hospital, a wholly-owned subsidiary of the Company, as vendor, and HarMoniCare Medical Management, as creditor, entered into the Disposal Agreement with Zhenjiang Kelida, as purchaser, pursuant to which the Purchaser agreed to acquire the Equity Interests from the Vendor for a total consideration of RMB22,000,000 (equivalent to approximately HK\$24,860,000, including a cash Consideration of RMB2,200,000 and the Purchaser agreed to settle an amount of RMB19,800,000 of outstanding Debts owed by the Target Companies to the Creditor).

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the Completion is subject to the fulfillment of a number of condition(s) precedent as set out in the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

I. INTRODUCTION

On 24 July 2019, Guiyang HarMoniCare Hospital, a wholly-owned subsidiary of the Company, as vendor, and HarMoniCare Medical Management, as creditor, entered into the Disposal Agreement with Zhenjiang Kelida, as purchaser, pursuant to which the Purchaser agreed to acquire the Equity Interests from the Vendor for a total consideration of RMB22,000,000 (equivalent to approximately HK\$24,860,000, including a cash Consideration of RMB2,200,000 and the Purchaser agreed to settle an amount of RMB19,800,000 of outstanding Debts owed by the Target Companies to the Creditor).

Upon Completion, each of the Target Companies will cease to be a subsidiary of the Company.

II. THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are summarized below.

1. Date : 24 July 2019

2. Parties :

Purchaser: Zhenjiang Kelida

To the best knowledge, information and belief of Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Vendor: Guiyang HarMoniCare Hospital, directly holding the entire equity interests of each of (a) Wuhan Modern Hospital; (b) Chongqing Wanzhou Hospital and (c) Chongqing Dushi Liren Hospital, as at the date of this announcement.

Creditor: HarMoniCare Medical Management

Target Companies: (a) Wuhan Modern Hospital;
(b) Chongqing Wanzhou Hospital; and
(c) Chongqing Dushi Liren Hospital

3. Subject matter

The Purchaser agreed to purchase, and the Vendor agreed to sell, the Equity Interests for the Consideration and the Purchaser's settlement of an amount of RMB19,800,000 of outstanding Debts owed by the Target Companies to the Creditor.

4. Consideration

The Consideration of RMB2,200,000 and the Purchaser's settlement of an amount of RMB19,800,000 of outstanding Debts owed by the Target Companies to the Creditor were determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the unaudited net liabilities value of each of the Target Companies in the total amount of RMB12,740,675 as at 31 December 2018; (ii) the registered capital in each of the Target Companies contributed by the Company (which in total amounts to RMB20,210,000); (iii) the Target Companies' loss-making situation; and (iv) the reasons and benefits as set out in the paragraph headed "Reasons for and Benefits of the Disposal and Use of Proceeds" below.

5. Conditions Precedent

Execution of the Disposal is subject to the below:

RMB19,800,000 of the debts of the Target Companies owing to the Creditor before the Transfer Date shall be paid off by the Purchaser; the other outstanding debts shall be fully waived by the Creditor.

Completion of the Disposal shall be conditional upon fulfillment of, among others, the following conditions precedent (the "**Conditions**"):

- 1) The shareholders of the Vendor having unanimously approved the Disposal;
- 2) The registered capital of each of the Target Companies having been legitimate and fully paid up. The relevant procedures of capital verification, company registration, tax registration and corporate code registration having been completed in compliance with the laws and regulations; and
- 3) All relevant account books of the Target Companies being complete, and all documents and materials such as seals, invoices, certificates, contracts, reports, approvals, meeting minutes and resolutions having been kept intact.

Each party shall cooperate in good faith and utilize their reasonable best efforts to ensure the fulfillment of the above Conditions. If any of the Conditions is not satisfied within 90 days from the execution of the Disposal Agreement, the Purchaser shall have the right to either (i) issue a written notice to terminate the Disposal Agreement, or (ii) extend a reasonable period of time to allow for the fulfillment of the Conditions. Notwithstanding the foregoing, the Purchaser shall have the right to waive any of the Conditions.

6. Terms of payment

According to the Disposal Agreement, the Purchaser agrees to pay to the Vendor the cash Consideration of RMB2,200,000 and repay to the Creditor the Debts on behalf of the Target Companies in the following manner:

- 1) within 10 days upon the execution of the Disposal Agreement, the Purchaser shall pay RMB220,000, being 10% of the Consideration, to the Vendor and pay off RMB1,980,000, being 10% of the Debts, to the Creditor;
- 2) the Purchaser shall pay RMB1,100,000, being 50% of the Consideration, to the Vendor and pay off RMB9,900,000, being 50% of the Debts, to the Creditor within 10 days upon completion of the industrial and commercial registration and receipt of the new business licenses of all the Target Companies; and
- 3) the Purchaser shall pay the remaining RMB880,000, being 40% of the Consideration, to the Vendor and pay off the remaining RMB7,920,000, being 40% of the Debts, to the Creditor within 10 days after the transfer of all documents in relation to the establishment and registration, finance, operation, legal work and technology of the Target Companies, from the Vendor to the Purchaser and the execution of the handover confirmation letter.

7. Representations, warranties and undertakings

Pursuant to the Disposal Agreement, the parties agree to represent, warrant and undertake, among others, that all costs, creditor's rights, debts and responsibilities as well as claims against and economic and legal disputes with the Target Companies since their establishment will be borne by the Target Companies and the Purchaser upon the Transfer Date. The Purchaser should urge the Target Companies to pay the trade payable to Tai He Tang within one year upon the Transfer Date, and the Purchaser undertakes to fully pay such trade payable on time on behalf of the Target Companies if the Target Companies fail to do so and pay a penalty at 0.05% of the outstanding due amount on a daily basis.

8. Liability for breach of contract

- 1) If the Vender or the Purchaser breaches the Disposal Agreement, the breaching party shall pay the non-breaching party liquidated damages equal to 10% of the total consideration (being the sum of the Consideration and the Debts) under the Disposal Agreement.
- 2) If the Purchaser delays the payment of the Consideration, a penalty shall be paid at 0.05% of the outstanding due amount on a daily basis. In the event that the delay is more than 15 working days, the Vendor and the Creditor are entitled to unilaterally terminate the Disposal Agreement and the Vendor and the Creditor shall refund all amount paid by the Purchaser within five working days from the date of the issuance of the notice of termination of the Disposal Agreement.

III. INFORMATION ON THE TARGET COMPANIES

Information on Wuhan Modern Hospital

Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd.* (武漢現代婦產醫院有限公司) is a limited liability company established in the PRC on 19 December 2005 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the provision of private obstetrics and gynecology specialty hospital services in the Wuhan area.

The following is the key financial information of Wuhan Modern Hospital extracted from its unaudited management accounts for the financial years ended 31 December 2017 and 2018, respectively:

	For the year ended 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)
Net loss before tax and extraordinary items	2,705,439	7,915,627
Net loss before extraordinary items and after tax	1,113,050	5,551,950

	As at 31 December 2017 (RMB)	As at 31 December 2018 (RMB)
Net assets	8,628,630	88,779

Information on Chongqing Dushi Liren Hospital

Chongqing Dushi Liren Hospital Co., Ltd.* (重慶都市儷人醫院有限公司) is a limited liability company established in the PRC on 20 August 2013 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the provision of private obstetrics and gynecology specialty hospital services in the Chongqing area.

The following is the key financial information of Chongqing Dushi Liren Hospital extracted from its unaudited management accounts for the financial years ended 31 December 2017 and 2018, respectively:

	For the year ended 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)
Net loss before tax and extraordinary items	596,516	7,313,442
Net loss before extraordinary items and after tax	1,326,240	7,813,788

	As at 31 December 2017 (RMB)	As at 31 December 2018 (RMB)
Net assets/(liabilities)	2,871,654	(5,072,779)

Information on Chongqing Wanzhou Hospital

Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd.* (重慶萬州和美婦產醫院有限公司), a limited liability company established in the PRC on 27 March 2009 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the provision of private obstetrics and gynecology specialty hospital services in the Chongqing area.

The following is the key financial information of Chongqing Wanzhou Hospital extracted from its unaudited management accounts for the financial years ended 31 December 2017 and 2018, respectively:

	For the year ended 31 December 2017 (RMB)	For the year ended 31 December 2018 (RMB)
Net loss before tax and extraordinary items	2,837,793	4,718,280
Net loss before extraordinary items and after tax	2,912,532	4,718,280
	As at 31 December 2017 (RMB)	As at 31 December 2018 (RMB)
Net liabilities	3,010,592	7,756,675

Upon Completion, each of Wuhan Modern Hospital, Chongqing Dushi Liren Hospital and Chongqing Wanzhou Hospital will cease to be a subsidiary of the Company and the Company will have no equity interests therein.

IV. INFORMATION ON THE PARTIES

Information on the Vendor

Guiyang HarMoniCare Hospital is a limited liability company established in the PRC on 25 May 2009 and is a wholly-owned subsidiary of the Company. It is principally engaged in similar activities as the Group in the Guiyang area of the PRC.

Information on the Creditor

HarMoniCare Medical Management is a limited liability company established in the PRC on 31 July 2014 and is a wholly-owned subsidiary of the Company.

Information on the Purchaser

Zhenjiang Kelida is a limited partnership established in the PRC. It is principally engaged in the investment, management and consultation in the medical industry.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhenjiang Kelida is an Independent Third Party.

Information on the Group

The Group is principally engaged in the provision of private obstetrics and gynecology specialty hospital services in the PRC.

V. FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Company is expected to record an unaudited gain before tax from the Disposal of approximately RMB1,190,000, which is mainly made up of (1) the income generated from the Disposal (being the difference between (a) the sum of the cash Consideration and (b) the net assets of the Target Companies which the Company had interests in as at 31 May 2019); and (2) the losses arising from the exemption of the Creditor's rights in the Target Companies. The actual gain on the Disposal to be recorded is subject to audit and may be different from the estimated amount as it will depend on, amongst other factors, (i) the actual amounts of the assets and liabilities of the Target Company as at the Transfer Date; and (ii) the actual transaction costs incurred.

VI. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Directors are of the view that the Target Companies, most of which focus on the traditional gynecology business with a middle-end positioning and with comparatively older property and equipment, have persistently recorded a large amount of loss in recent years, which has caused a significant negative impact on the performance of the Group, the Disposal is on normal commercial terms and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Board believes that the Disposal would allow the Group to concentrate its resources for the development of high-end obstetrics business in core cities in the PRC, strengthen the financial position of the Group, enhance its cash flow, maintain liquidity and conserve more financial resources for the funding of future investments of the Group when opportunities arise.

The proceeds from the Disposal will be used for general working capital of the Group.

VII. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment of a number of condition(s) precedent as set out in the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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 and will remain suspended pending the publication of the annual results of the Company and its subsidiaries for the year ended 31 December 2018.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Chongqing Dushi Liren Hospital”	Chongqing Dushi Liren Hospital Co., Ltd.* (重慶都市麗人醫院有限公司), a limited liability company established in the PRC on 20 August 2013 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement
“Chongqing Wanzhou Hospital”	Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd.* (重慶萬州和美婦產醫院有限公司), a limited liability company established in the PRC on 27 March 2009 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement
“Company”	Harmonicare Medical Holdings Limited (和美醫療控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 August 2014, the shares of which are listed on the Main Board of Stock Exchange

“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB2,200,000, being the cash consideration of the Disposal in total (RMB1,400,000 of which being the cash consideration of the disposal of Wuhan Modern Hospital, RMB400,000 of which being the cash consideration of the disposal of Chongqing Wanzhou Hospital, and RMB400,000 of which being the cash consideration of the disposal of Chongqing Dushi Liren Hospital)
“Debts”	an amount of RMB19,800,000 of outstanding debts owed by the Target Companies (RMB12,600,000 of which is owed by Wuhan Modern Hospital, RMB3,600,000 of which is owed by Chongqing Wanzhou Hospital and RMB3,600,000 of which is owed by Chongqing Dushi Liren Hospital) to the Creditor
“Directors”	directors of the Company
“Disposal”	the disposal of the Equity Interests by the Vendor pursuant to the Disposal Agreement
“Disposal Agreement”	the equity transfer agreement dated 24 July 2019 entered into among the Vendor, the Creditor and the Purchaser in respect of the Disposal
“Equity Interests”	the entire equity interests of each of the Target Companies owned by Guiyang HarMoniCare Hospital and its various shareholder’s rights and obligations therein as at the date of this announcement
“extraordinary items”	gains or losses from non-recurring activities
“Group”	the Company and its subsidiaries
“Guiyang HarMoniCare Hospital” or “Vendor”	Guiyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd.* (貴陽和美婦產醫院有限公司), a limited liability company established in the PRC on 25 May 2009 and a wholly-owned subsidiary of the Company

“HarMoniCare Medical Management” or “Creditor”	HarMoniCare Medical Management and Consulting Co., Ltd.* (和美醫療管理諮詢有限公司), a limited liability company established in the PRC on 31 July 2014 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai He Tang”	Shanxi Tai He Tang Pharmaceuticals Co., Ltd.* (山西太和堂藥業有限公司), a limited liability company established in the PRC on 7 July 2005 and a wholly-owned subsidiary of the Company
“Target Companies”	collectively, (a) Wuhan Modern Hospital; (b) Chongqing Wanzhou Hospital; and (c) Chongqing Dushi Liren Hospital
“Transfer Date”	the date on which the Equity Interests will have been transferred to the Purchaser upon completion of the industrial and commercial registration i.e. the date of the new business licenses of all Target Companies pursuant to the Disposal Agreement

“Wuhan Modern Hospital”	Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd.* (武漢現代婦產醫院有限公司), a limited liability company established in the PRC on 19 December 2005 and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement
“Zhenjiang Kelida” or “Purchaser”	Zhenjiang Kelida Information Technology Service Center (limited partnership)* (鎮江科力達信息科技服務中心(有限合夥)), a limited partnership established in the PRC and an Independent Third Party
“%” or “per cent.”	per cent

In this announcement, for illustration purposes only, RMB has been converted into HK\$ at the rate of RMB1.00: HK\$1.13. No representation is made that any amount of RMB or HK\$ has been, could have been or could be converted at the above rate or at any other rate or at all.

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

Hong Kong, 24 July 2019

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

* *For identification purposes only*