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

INTERNAL CONTROL REVIEW

Reference is made to (1) the announcement of Harmonicare Medical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 March 2019 in relation to its delay in the publication of the 2018 Annual Results and despatch of the 2018 Annual Report, (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 its Internal Control Consultant, (3) the announcement of the Company dated 12 June 2019 in relation to the guidance received from the Stock Exchange regarding the resumption of trading of the Company’s shares on the Stock Exchange, (4) the quarterly update announcement of the Company dated 28 June 2019 in relation to, among others, its resumption progress, (5) the update announcement of the Company dated 31 July 2019 in relation to the progress of its internal control review, (6) the announcement of the Company dated 30 August 2019 in relation to, among others, further delay in publication of the 2018 Annual Results and the delay in publication of the 2019 Interim Results, (7) the quarterly update announcement of the Company dated 29 September 2019 in relation to, among others, its resumption progress, (8) the quarterly update announcement of the Company dated 24 December 2019, (9) the voluntary announcement of the Company dated 10 March 2020 on the impact of novel coronavirus (COVID-19) epidemic on the Group’s business operations, (10) the supplemental announcement of the Company dated 25 March 2020 on the results of its internal control review (together with (2) and (5) above and the update announcement of the Company dated 31 October 2019 in relation to the progress of its internal control review, the “**Internal Control Announcements**”), (11) the quarterly update announcement of the Company dated 31 March 2020 in relation to, among others, its resumption progress and (12) the quarterly update announcement of the Company dated 30 June 2020. Capitalised terms used herein shall have the same meanings as those defined in the Internal Control Announcements unless otherwise stated herein.

As disclosed in the Internal Control Announcements, to assist the Company in fulfilling one of its resumption conditions and as part of the additional steps that Deloitte would need to take before signing off on the 2018 Annual Results, the Audit Committee engaged BDO Financial Services Limited to independently review (the “**Initial IC Review**”) certain internal control procedures of the Company. The scope of the Initial IC Review included an independent assessment of the internal control systems of the Group, covering the transaction process of the Equity Transfer, anti-fraud management, the administration of contracts and seals, the management of fund and investment; and the management of cash and payment during the period of 1 January 2018 to 31 March 2019, the results of which were published by the Company in its announcement dated 25 March 2020.

On 17 July 2020, the Company appointed Netis Advisory Limited as its internal control consultant (the “**Internal Control Consultant**”) to conduct a comprehensive review (the “**Comprehensive IC Review**”) of the Group’s internal control procedures which will cover all of the Group’s significant subsidiaries and to the extent practicable, its major associated companies, for the period between 1 January 2018 and 31 July 2020 in order to comprehensively evaluate the Group’s internal control systems. The Board and the Audit Committee are of the view that the Comprehensive IC Review, in addition to the Initial IC Review, will further help the Company identify any other major deficiencies in the internal control systems of the Group and allow it to rectify such deficiencies (if any) and rebuild its brand image and regain investors’ confidence after a prolonged suspension. It is also one of the resumption guidance from the Stock Exchange that the Group must 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. Therefore, the Board and the Audit Committee are of the view that the Comprehensive IC Review is in the best interests of the Company and its shareholders as a whole.

The Company will make announcement(s) on further updates on the progress, if applicable, and the findings of the Comprehensive IC Review in compliance with the Listing Rules as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2019. Trading in the Shares 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, 17 July 2020

As at the date of this announcement, the executive Directors are Mr. Lin Yuming and Mr. Fang Zhifeng; 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.