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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1509)

DISCLOSEABLE TRANSACTIONS IN RELATION TO (1) THE ACQUISITION OF HIBABY; AND (2) LOAN TRANSACTIONS WITH HIBABY

THE ACQUISITION OF HIBABY

On 8 November 2018, HarMoniCare Medical Management entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Sellers agreed to transfer all of their equity interests in Hibaby to the Group and the Group agreed to pay the Equity Transfer Consideration to each of the Sellers by 15 January 2019.

During the course of Comprehensive Internal Control Review as disclosed in the announcement of the Company dated 17 July 2020, the Company discovered that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer Agreement as at the date of the Equity Transfer Agreement was more than 5% but less than 25%, the Equity Transfer Agreement therefore constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

LOAN TRANSACTIONS WITH HIBABY

From Hibaby's date of establishment to 8 November 2018, being the date of Equity Transfer Agreement, the Loan Agreements were entered into between HarMoniCare Medical Management as Lender, and Hibaby as Borrower, pursuant to which the Lender agreed to provide to the Borrower the Loans in aggregate amounting to RMB75.00 million for the purpose of investing in the construction of Hibaby's confinement centers.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer was more than 5% but less than 25% as at the date of the Equity Transfer Agreement, the Equity Transfer constituted a discloseable transaction for the Company as at the date of the Equity Transfer Agreement and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Loan Agreements prior to 8 November 2018 (being the date of the Equity Transfer Agreement) was more than 5% but less than 25%, the Loans thereunder in aggregate constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Equity Transfer Agreement and the Loan Agreements, as and when such obligations arose. Further, the Company updates the market that the statement in the announcement of the Company dated 28 March 2019 that “As none of the applicable percentage ratio(s) as set out in Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the Equity Transfer exceeded 5%, the Equity Transfer did not constitute a disclosable transaction of the Company” was incorrect. Consequently, the Company hereby announces the details of the Equity Transfer Agreement and the Loan Agreements in accordance with the applicable requirements under Chapter 14 of the Listing Rules.

I. THE ACQUISITION OF HIBABY

a) Introduction

Reference is made to the announcements of the Company dated 28 March 2019 and 24 December 2019 (the “**Announcements**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated herein.

As disclosed in the Announcements, on 8 November 2018, HarMoniCare Medical Management entered into the Equity Transfer Agreement with the Sellers, pursuant to which the Sellers agreed to transfer all of their equity interests in Hibaby to the Group and the Group agreed to pay the Equity Transfer Consideration to each of the Sellers by 15 January 2019.

During the course of Comprehensive Internal Control Review as disclosed in the announcement of the Company dated 17 July 2020, the Company discovered that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer Agreement as at the date of the Equity Transfer Agreement was more than 5% but less than 25%, the Equity Transfer Agreement therefore constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

b) The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarised below.

1. Date

8 November 2018

2. Parties

Transferee: HarMoniCare Medical Management, a wholly-owned subsidiary of the Company

Transferors: Sifang Yufeng, Guangxi Longji, Zhang Dongdong and Pan Chun, holding 23.765%, 23.765%, 0.5% and 0.5% in Hibaby, respectively, as at the date of the Equity Transfer Agreement

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Sifang Yufeng, Guangxi Longji, Zhang Dongdong and Panchun and their respective ultimate beneficial owner was an Independent Third Party as at the date of the Equity Transfer Agreement

Target company: Hibaby

3. Subject matter

HarMoniCare Medical Management agreed to purchase, and the Sellers agreed to sell, the their entire equity interest in Hibaby for a consideration of RMB30,241,933.

4. Equity Transfer Consideration

The Equity Transfer Consideration was RMB30,241,933, which was determined after arm's length negotiations among HarMoniCare Medical Management and the Sellers, with reference to the prevailing market conditions and the reasons and benefits detailed in the below paragraph headed "Reasons for, benefits and financial effect of the Equity Transfer Agreement". The Equity Transfer Consideration was intended to be funded by the Group's internal financial resources at that time.

c) Reasons for, benefits and financial effect of the Equity Transfer Agreement

The Group believed that the acquisition of Hibaby can expedite its go downstream industrial chain business by immediately getting control of Hibaby maternal and infant health centers in Qingdao, Wuxi and Nanchang.

Upon the Equity Transfer Completion and in accordance with the terms set out in the Equity Transfer Agreement, the Company's shareholding in Hibaby would be increased from 49.47% to 98%, and Hibaby would become a non-wholly owned subsidiary of the Company, the financial results of which would be consolidated to the consolidated financial statements of the Group.

The Board considers that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

d) Listing Rules implications

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Equity Transfer was more than 5% but less than 25% as at the date of the Equity Transfer Agreement, the Equity Transfer constituted a discloseable transaction for the Company as at the date of the Equity Transfer Agreement and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Equity Transfer Agreement, as and when such obligations arose. Further, the Company updates the market that the statement in the announcement of the Company dated 28 March 2019 that “As none of the applicable percentage ratio(s) as set out in Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the Equity Transfer exceeded 5%, the Equity Transfer did not constitute a disclosable transaction of the Company” was incorrect. Consequently, the Company hereby announces the details of the Equity Transfer Agreement in accordance with the applicable requirements under Chapter 14 of the Listing Rules.

The Group did not pay the Equity Transfer Consideration by 15 January 2019, being the date on which the Equity Transfer Consideration shall have been paid pursuant to the Equity Transfer Agreement.

As a result, on 24 January 2019, the relevant Sellers filed an arbitration application to the Beijing Arbitration Commission in accordance with the Equity Transfer Agreement. The arbitration judgment confirmed that the Group must fully settle the Equity Transfer Consideration and Mr. Lin should bear joint liabilities of such repayment in accordance with the Equity Transfer Agreement. Thereafter, the Group and the Sellers entered into active negotiations for settlements, the proposed plan of which involves a proposed divestment of certain assets of Hibaby. The management of the Group believes that such negotiations shall be ended and the Equity Transfer Consideration shall be settled by the end of this quarter of 2021.

In addition, one of the Sellers provided a loan of RMB12.5 million to Hibaby on 19 December 2017. As Hibaby was in default on the loan, such Seller filed a lawsuit in the court of the PRC in January 2019, demanding repayment of the principal, interest and liquidated damages pursuant to the loan agreement. In April 2020, the court ruled that Mr. Lin, being the guarantor of the loan agreement, shall bear joint liabilities for such repayment. As of today, the court had enforced approximately RMB9 million of Mr. Lin’s cash to the Sellers.

II. LOAN TRANSACTIONS WITH HIBABY

a) Introduction

From Hibaby's date of establishment to 8 November 2018, being the date of Equity Transfer Agreement, the Loan Agreements were entered into between HarMoniCare Medical Management as Lender, and Hibaby as Borrower, pursuant to which the Lender agreed to provide to the Borrower Loans in aggregate amounting to RMB75.0 million for the purpose of investing in the construction of Hibaby's confinement centers.

b) The Loan Agreements

The principal terms of the Loan Agreements are summarized below.

1. Parties

Lender: HarMoniCare Medical Management

Borrower: Hibaby

2. Principal terms

Date	Principal amount	Interest rate	Drawdown date	Repayment date
2 November 2017	RMB10 million	8%	within 5 days of the execution of the agreement	from the drawdown date to 30 December 2019
31 December 2017	RMB9 million	8%	within 5 days of the execution of the agreement	from the drawdown date to 30 December 2019
15 January 2018	RMB15 million	12%	within 5 days of the execution of the agreement	from the drawdown date to 30 December 2019 and demand of early repayment shall be permitted by the Borrower by giving not less than 10 days' notice in writing
26 April 2018	RMB5 million	12%	within 5 days of the execution of the agreement	from the drawdown date to 30 December 2019
4 July 2018	RMB6 million	12%	within 5 days of the execution of the agreement	from the drawdown date to 30 June 2019

Date	Principal amount	Interest rate	Drawdown date	Repayment date
12 August 2018	RMB10 million	12%	within 5 days of the execution of the agreement	from the drawdown date to 30 December 2019
13 September 2018	RMB20 million	12%	on the execution day of the agreement	from 13 September 2018 to 12 September 2020

c) Reasons for, benefits and financial effect of the Loan Agreements

Since its inception, the principal activities of Hibaby have been the provision of post-natal maternal and child health services as well as the participation in the investment of two confinement centers and the acquisition of three confinement centers. The investment and the acquisition of the confinement centers were financed by Hibaby's equity and loans from different equity owners of Hibaby, including the Loans.

As i) the Group was the single largest equity holder of Hibaby; ii) both the Sellers and the Group provided loans to Hibaby to complete its construction of confinement centers; and iii) the management of the Company had reached a consensus in principle with the Sellers in relation to the Equity Transfer which Hibaby was going to be a subsidiary of the Company at that time, the management of the Company was of the view that the Loans, considered as a form of financing in advance to Hibaby, were in the interest of both the Group's and Hibaby's development.

The terms of the Loan Agreements (including the interest rates) were arrived at by the parties thereto after arm's length negotiations, with reference to prevailing commercial practice, and the amount of the Loan Agreements. The Directors consider that the terms of the Loan Agreements are fair and reasonable and the provision of the Loans is in the interest of the Company and the Shareholders as a whole.

As the Company in accordance with the relevant provisions of IFRS 10 (specifically B48) treats Hibaby as a subsidiary even though the Equity Transfer Agreement has not been completed, Loans entered into prior to 8 November 2018 shall be deemed to be approved financial assistance to third parties and all loans that were new or were not repaid on or after 8 November 2018 should be treated as inter-company loans between subsidiaries of the Group.

d) Listing Rules implications

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Loan Agreements prior to 8 November 2018 (being the date of the Equity Transfer Agreement) was more than 5% but less than 25%, the Loans thereunder in aggregate constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. However, as (i) the Loans individually did not constitute discloseable loan transaction provided by the Company; (ii) most ratios for aggregate value of the Loan in connection with the size tests under the Listing Rules was less than 5%; and (iii) the Loans were classified as inter-company loans within the Group as the Company reached a consensus in principle with the Sellers in relation to the Equity Transfer in early 2018 which Hibaby was expected to become a subsidiary of the Company within the year of 2018; the Company did not make announcements earlier on.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Loans, as and when such obligations arose. Consequently, the Company hereby announces the details of the Loan Agreements in accordance with the applicable requirements under Chapter 14 of the Listing Rules.

III. INFORMATION OF THE PARTIES

a) Information on Hibaby

Hibaby is a limited liability company established in the PRC on 18 September 2016 and an indirectly 98% owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the provision of postpartum maternal and child healthcare services and the participation in the investment of two maternity care centers.

The following is the key financial information of Hibaby extracted from its unaudited management accounts for the two years ended 31 December 2017:

	For the year ended 31 December 2016 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	–	9
Loss for the year	(1,374)	(6,163)
Total assets	13,000	73,328
Total liabilities	(4,373)	(30,864)

Set out below is the summary of key financial information of Hibaby included in the Group's consolidated financial statements for the two years ended 31 December 2019:

	2018 RMB'000	2019 RMB'000
Revenue	5,757	28,216
Loss for the year	(18,590)	(28,271)
Total assets	138,880	128,760
Total liabilities	(47,241)	(63,542)

b) Information on the Purchaser

Nanchang Meijialong Investment Co., Ltd.* (南昌美佳隆投資有限公司), a limited liability company established in the PRC on 7 March 2016 and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Nanchang Meijialong is an Independent Third Party.

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 will remain suspended until further notice.

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

DEFINITIONS

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

“Assignors” or “Sellers”	Sifang Yufeng, Guangxi Longji, Zhang Dongdong and Pan Chun
“Board”	the board of Directors of the Company
“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 September 2014, the shares of which are listed on the Main Board of Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Equity Transfer”	the equity transfer of 48.63% equity interest in Hibaby from the Sellers to Harmonicare Medical Management
“Equity Transfer Agreement”	the equity transfer agreement dated 8 November 2018 entered into among Harmonicare Medical Management and the Sellers in relation to the acquisition of 48.63% equity interest in Hibaby by Harmonicare Medical Management
“Equity Transfer Completion”	the completion of the Equity Transfer pursuant to the Equity Transfer Agreement
“Equity Transfer Consideration”	the cash consideration for the Equity Transfer as agreed in the Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Guangxi Longji”	Guangxi Longji Co., Ltd.* (廣西龍基置業有限責任公司), a limited liability company established in the PRC on 26 June 2002, one of the Assignors and an Independent Third Party of the Company

“HarMoniCare Medical Management” or “Lender”	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 wholly-owned subsidiary of the Company
“Hibaby” or “Borrower”	Hibaby Healthcare Co., Ltd.* (凱貝姆健康管理有限公司), a joint venture established on 18 September 2016 in the PRC by the Company and certain shareholders who are independent third parties of the Group which will be held as to 98% by the Company upon Equity Transfer Completion
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“IFRS”	The International Financial Reporting Standards
“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
“Loans”	various loans pursuant to the Loan Agreements entered into between Hibaby and HarMoniCare Medical Management
“Loan Agreements”	various loans agreements entered into between Hibaby as the Borrower and HarMoniCare Medical Management as the Lender before 8 November 2018, being the date of the Equity Transfer Agreement
“Mr. Lin”	the Chairman, Executive Director and President of the Company, Mr. Lin Yuming
“Nanchang Meijialong” or the “Purchaser”	Nanchang Meijialong Investment Co., Ltd.* (南昌美佳隆投資有限公司), a limited liability company established in the PRC on 7 March 2016 and an Independent Third Party of the Company
“Pan Chun”	Pan Chun (潘春), a natural person, one of the Assignors and an Independent Third Party of the Company
“percentage ratio”	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
“Sifang Yufeng”	Sifang Yufeng Investment Co., Ltd.* (四方御風投資有限公司), a limited liability company established in the PRC on 27 August 2015, one of the Assignors and an Independent Third Party of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhang Dongdong”	Zhang Dongdong (張冬冬), a natural person, one of the Assignors and an Independent Third Party of the Company
“%” 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\$1.1321. 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, 8 January 2021

As at the date of this announcement, the executive Directors are Mr. Lin Yuming, Mr. Yang Guo and Mr. Wei Rongda; the non-executive Directors are Mr. Lin Yuguo, Mr. Qiu Jianwei and Mr. Xu Jun; and the independent non-executive Directors are Ms. Fang Lan, Mr. Cai Jiangnan and Ms. Hsu Wai Man Helen.

* *For identification purposes only*