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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1509)

DISCLOSEABLE TRANSACTION – DISPOSAL OF 51% EQUITY INTERESTS IN THE TARGET COMPANY

THE DISPOSAL AGREEMENT

On 10 February 2021, Beijing He An Da Management Consulting Co., Ltd., a wholly-owned subsidiary of the Company, as the Vendor, entered into the Disposal Agreement with the Purchaser, pursuant to which the Purchaser agreed to acquire the Equity Interests from the Vendor for a total cash consideration of RMB50,000,000 (equivalent to approximately HK\$60,000,000).

Upon Completion, the Group will cease to hold any interest in the Target Company. Accordingly, the Target Company will cease to be a subsidiary of the Company and the assets and liabilities as well as the results of operation of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

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.

I. INTRODUCTION

On 10 February 2021, Beijing He An Da Management Consulting Co., Ltd., a wholly-owned subsidiary of the Company, as the Vendor, entered into the Disposal Agreement with the Purchaser, pursuant to which the Purchaser agreed to acquire the Equity Interests from the Vendor for a cash consideration of RMB50,000,000 (equivalent to approximately HK\$60,000,000).

II. THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are summarized below.

Date 10 February 2021

Parties

Purchaser: Mr. Chen Yonghang

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

Vendor: Beijing He An Da Management Consulting Co., Ltd.

Target Company Nantong Hemeijia Obstetrics and Gynecology Hospital Co., Ltd.

Subject matter

The Purchaser agreed to purchase, and the Vendor agreed to sell, the 51% equity interests in the Target Company owned by the Vendor together with its shareholder's rights and obligations therein in accordance with the terms and conditions of the Disposal Agreement. Upon Completion, the Group will cease to hold any interest in the Target Company. Accordingly, the Target Company will cease to be a subsidiary of the Company, and the assets and liabilities as well as the results of operation of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

Consideration

Pursuant to the Disposal Agreement, the Consideration is RMB50,000,000 (equivalent to approximately HK\$60,000,000), which shall be settled in cash by the Purchaser to the Vendor in the following manner:

- (i) upon the execution of the Disposal Agreement, the Purchaser shall pay RMB25,000,000, being 50% of the Consideration, to the Vendor; and
- (ii) within 90 days after the date of the Disposal Agreement (i.e. 11 May 2021), and on the condition that Far East Leasing discharges the Target Company's obligation as a guarantor for the bank facilities of other subsidiaries of the Vendor, the Purchaser shall pay the remaining RMB25,000,000, being 50% of the Consideration, to the Vendor. In the event that Far East Leasing does not discharge the aforementioned Target Company's obligation as a guarantor within 90 days after the date of the Disposal Agreement (i.e. 11 May 2021), the Purchaser shall pay the remaining 50% of the Consideration no later than the third working day after Far East Leasing discharges the aforementioned Target Company's obligation as a guarantor.

The Consideration was determined after arm's length negotiations based on normal commercial terms between the Purchaser and the Vendor with reference to, among other things: (i) the unaudited net asset value of the Target Company in the amount of approximately RMB109 million as at 31 December 2020; (ii) the net asset value of the Target Company as at 30 November 2020 according to the valuation report dated 17 December 2020 prepared by an independent valuer in the PRC, amounting to RMB131,894,200; and (iii) the reasons and benefits as set out in the paragraph headed "Reasons for and Benefits of the Disposal and Use of Proceeds" herein.

Completion

Completion shall take place within the 14 days after the Vendors provides the Purchaser the necessary documents for completing the registration with the relevant regulatory authorities, which in any event no later than 10 March 2021, in accordance with the terms and conditions of the Disposal Agreement.

III. INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 29 September 2007 and an indirect non 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 Nantong area, Jiangsu Province.

As at the date of this announcement, the Target Company is owned by the Vendor as to 51%, Mr. Lin Yuguo (林玉國) as to 38.1111% and Ms. Zhang Xiaoyu (張曉玉) as to 10.8889%.

The following is the key financial information of the Target Company extracted from its unaudited management accounts for the two financial years ended 31 December 2019 and 2020, respectively:

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Revenue	65,085	58,695
Net profit (loss) before tax	3,494	(44,706)
Net profit (loss) after tax	2,231	(44,779)
Net assets	(153,188)	108,989

Upon Completion, the Group will cease to hold any interest in the Target Company. Accordingly, the Target Company will cease to be a subsidiary of the Company, and the assets and liabilities as well as the results of operation of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

IV. INFORMATION ON THE PARTIES

Information on the Vendor

The Vendor is a limited liability company established in the PRC on 13 November 2014 and a wholly-owned subsidiary of the Company. It is an investment holding company.

Information on the Purchaser

The Purchaser is an investor based in the PRC and a PRC resident. To the best of the Directors' knowledge, information and belief having made all enquiries, the Purchaser 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

Upon Completion, the Target Company would cease to be a subsidiary of the Company. Accordingly, the assets and liabilities as well as the results of operation of the Target Company would no longer be consolidated into the consolidated financial statements of the Group.

As a result of the Disposal, the Company is expected to record an unaudited loss before tax from the Disposal of approximately RMB5,584,000, which is calculated with reference to the Consideration and the unaudited net asset value of the Target Company as at 31 December 2020. The actual loss 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 date of Completion; 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 Disposal would (i) reduce overall capital commitments of the Group; (ii) reduce the borrowings of the Group; (iii) raise cash to overcome shortfall of cash of the Group; and (iv) the qualification by the auditors in relation to the Target Company (as disclosed in the 2018 and 2019 annual report of the Company) shall cease to have carried forward impact on the consolidated financial statements of the Company as of 31 December 2020 and any financial period starting from 31 December 2020.

The proceeds from the Disposal will be used for general working capital and future business opportunities 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.

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:

“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 August 2014, the shares of which are listed on the Main Board of Stock Exchange
“Completion”	completion of the transfer of the Equity Interests in accordance with the terms and conditions of the Disposal Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB50,000,000, being the total cash consideration of the Disposal
“Directors”	directors of the Company
“Disposal”	the disposal of the Equity Interests by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the equity transfer agreement dated 17 February 2021 entered into by, among others, the Vendor and the Purchaser in connection with the Disposal
“Equity Interests”	the 51% equity interests in the Target Company owned by the Vendor and its shareholder’s rights and obligations therein as at the date of this announcement
“Far East Leasing”	Far East Leasing Co., Ltd.* (遠東國際融資租賃有限公司), a limited liability company incorporated in the PRC on 13 September 1991
“Group”	the Company and its subsidiaries
“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
“Purchaser”	Chen Yonghang (陳永航), who to the best of the Directors’ knowledge, information and belief having made all enquiries, is an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Nantong Hemeijia Obstetrics and Gynecology Hospital Co., Ltd.* (南通和美家婦產科醫院有限公司), a limited liability company incorporated in the PRC on 29 September 2007 and a non-wholly-owned subsidiary of the Company
“Vendor”	Beijing He An Da Management Consulting Co., Ltd.* (北京合安達管理諮詢有限公司), a limited liability company incorporated in the PRC on 13 November 2014 and a wholly-owned subsidiary of the Company
“%”	per cent

In this announcement, for illustration purposes only, RMB has been converted into HK\$ at the rate of RMB1.00: HK\$1.2. 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, 19 February 2021

As at the date of this announcement, the executive Directors are Mr. Lin Yuming, Mr. Yang Guo and Mr. Wei Rongda and Mr. Chen Longzhen; the non-executive Directors are Mr. Qiu Jianwei and Mr. Xu Jun; and the independent non-executive Directors are Ms. Hsu Wai Man Helen, Mr. Zhang Jide and Mr. Lin Jinting.

* For identification purposes only