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

(1) FURTHER INFORMATION IN RELATION TO THE ACQUISITION OF HIBABY (DISCLOSEABLE TRANSACTION) AND (2) THE DISPOSAL OF WUXI HIBABY (VOLUNTARY DISCLOSURE)

Reference is made to the announcements of the Company dated 8 January 2021 in relation to the acquisition of Hibaby. Unless the context required otherwise, terms shall have the same meaning as ascribed to them in the Announcement.

On 22 February 2021, HarMoniCare Medical Management and Hibaby entered into a settlement agreement (“**Final Settlement Agreement**”) with the Sellers, pursuant to which, among other things, the Sellers agreed to acquire 100% equity interests of Huisheng (Wuxi) Mother and Baby Health Management Co., Ltd.* (惠笙(無錫)母嬰健康管理有限公司) (formerly known as Wuxi Hibaby Healthcare Co., Ltd.* (無錫凱貝姆健康管理有限公司), “**Wuxi Hibaby**”), a wholly owned subsidiary of Hibaby, from Hibaby to settle all the outstanding Equity Transfer Consideration and its related interest, penalties, legal fees, etc. The Equity Transfer Consideration is considered settled upon the Completion of Wuxi Hibaby disposal.

The Final Settlement Agreement was determined after arm’s length negotiations based on normal commercial terms between the HarMoniCare Medical Management and the Sellers with reference to, among other things: (i) the Equity Transfer Consideration amounting to RMB30.24 million and its related interest, penalties, legal fees, etc; (ii) the unaudited net asset value of Wuxi Hibaby in the amount of approximately RMB31.59 million as at 31 December 2020; and (iii) the reasons and benefits as set out in the paragraph headed “Reasons for and Benefits of the Final Settlement Agreement” herein.

The completion of Wuxi Hibaby disposal shall take place within the 10 working days from the date of signing of the Final Settlement Agreement, after completing the registration with the relevant regulatory authorities.

INFORMATION OF WUXI HIBABY

Wuxi Hibaby is a limited liability company established in the PRC on 13 June 2017 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 confinement service center in the city of Wuxi, Jiangsu Province.

As at the date of this announcement, Wuxi Hibaby is wholly owned by Hibaby.

The following is the key financial information of the Wuxi Hibaby extracted from its unaudited management accounts for the financial year ended 31 December 2020:

**For the year ended
31 December 2020
(RMB' 000)**

Revenue	240
Net loss before and after tax	5,603
Net assets	31,589

FINANCIAL EFFECT OF THE DISPOSAL OF WUXI HIBABY

Upon the Completion of Wuxi Hibaby, the Group will cease to hold any interest in Wuxi Hibaby. Accordingly, Wuxi Hibaby will cease to be a subsidiary of the Company and the assets and liabilities as well as the results of operation of the Wuxi Hibaby will 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 profit before tax from the Disposal of Wuxi Hibaby of approximately RMB nil, which is calculated with reference to the Equity Transfer Consideration amounting to RMB30.24 million and its related interest, penalties, legal fees, etc, and the unaudited net asset value of the Wuxi Hibaby as at 31 December 2020. The actual profit on the Disposal of Wuxi Hibaby 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.

REASONS FOR AND BENEFITS OF THE FINAL SETTLEMENT AGREEMENT

The Directors are of the view that the Final Settlement Agreement would (i) reduce overall cash outflow for the settlement of Equity Transfer Consideration; (ii) reduce the borrowings of the Group; (iii) reduce overall capital commitments of the Group; and (iv) the qualification by the auditors in relation to Hibaby (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.

IMPLICATIONS UNDER THE LISTING RULES

As none of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal of Wuxi Hibaby is 5% or above, the Disposal constitutes a non-discloseable transaction of the Company and is therefore, the above disclosure related to the Disposal of Wuxi Hibaby is considered as Voluntary Disclosure by 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. 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, 22 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*