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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1509)

DISCLOSEABLE TRANSACTION – ACQUISITION OF 51% EQUITY INTEREST OF NANTONG HEMEIJIA VARIATION OF TERMS

Reference is made to the announcement of Harmonicare Medical Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 10 July 2017 (the “**Announcement**”) in relation to the acquisition of 51% equity interest of Nantong Hemeijia by the Company. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated herein.

On 10 July 2017, Beijing HAD, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Existing Shareholders, Mr. Lin and Nantong Hemeijia, pursuant to which Beijing HAD agreed to acquire and Zhang Xiaoyu (“**Ms. Zhang**”) agreed to sell the Equity Interest at a consideration of RMB32,000,000. In addition, Beijing HAD agreed to effect capital injection of RMB267,755,100 to Nantong Hemeijia, of which RMB16,734,700 will be credited as increase in the registered capital of Nantong Hemeijia and RMB251,020,400 will be credited to the capital reserve of Nantong Hemeijia (the “**Original Cooperation Scheme**”).

On 18 July 2017, Beijing HAD completed the procedures for the change of business registration particulars of the above-mentioned equity transfer and capital injection and received a new business license. The shareholding structure of Nantong Hemeijia was changed to the following: 51% held by Beijing HAD, 32.67% held by Lin Zhenhua, 10.89% held by Ms. Zhang and 5.44% held by Wang Haibo.

On 22 September 2017, Lin Zhenhua and Wang Haibo transferred their equity interest in Nantong Hemeijia to Lin Yuxi and Lin Saihua; on 28 September 2017, Lin Saihua transferred her equity interest in Nantong Hemeijia to Lin Yuxi; on 11 October 2017, Lin Yuxi transferred his equity interest in Nantong Hemeijia to Lin Yuguo, the former director of Nantong Hemeijia, and therefore the shareholding structure of Nantong Hemeijia was changed to the following: 51% held by Beijing HAD, 38.11% held by Lin Yuguo and 10.89% held by Ms. Zhang. Based on the confirmation from Lin Yuguo, he would succeed to the rights and obligations of the corresponding original parties under the Acquisition Agreement upon acquisition of the equity interest in Nantong Hemeijia.

The Board hereby announces that the parties (the “**Parties**”) to the Acquisition Agreement signed a letter of confirmation (the “**Letter of Confirmation**”) on 14 October 2020 to confirm the following matters:

- (1) Since January 2019, following verbal communications, the Parties reached a unanimous consent to make changes to the Original Cooperation Scheme as follows: the pre-investment valuation of RMB320,000,000 shall remain as the pricing basis, and Beijing HAD invested a total of RMB218,821,500 through equity transfer and capital injection, ultimately holding a total of 51% equity interest in Nantong Hemeijia (the “**New Cooperation Scheme**”), including: (a) the acquisition of a total of 34.30% equity interest in Nantong Hemeijia for RMB109,750,000, of which RMB32,000,000 has been paid directly to Ms. Zhang, and RMB77,750,000 has been prepaid to Lin Yuguo and Ms. Zhang through Nantong Hemeijia; and (b) the capital injection of RMB109,071,500 to Nantong Hemeijia, upon which the registered capital of Nantong Hemeijia was changed to RMB36,734,700, and the remaining balance of RMB92,336,800 was credited to its capital reserve; and
- (2) As of the date of the Letter of Confirmation, an amount of RMB156,581,884 has been paid by Beijing HAD, with the remaining balance of RMB62,239,616 (the “**Outstanding Capital Contribution**”) being unpaid.

In response to the above circumstances, the Parties further confirmed that the RMB77,750,000 paid by Beijing HAD through Nantong Hemeijia is the advance payment under the New Cooperation Scheme, which is required to be converted into equity transfer funds when the Outstanding Capital Contribution is available.

The Parties confirmed that the failure of the Parties to perform the relevant obligations in accordance with the Acquisition Agreement shall not be regarded as a default by the relevant responsible party, and the Parties shall not take action against each other for any breach under the Acquisition Agreement (including the liabilities for deferred payment, etc.). The Parties will separately negotiate in case of failure to strictly implement the New Cooperation Scheme.

The other content and the terms of the Acquisition Agreement and its legal effect remain in full force without variation, except for the changes in the above terms.

REASONS AND BENEFITS FOR ENTERING INTO THE NEW COOPERATION SCHEME

The Company believes that the New Cooperation Scheme allows the Group to reduce its investment commitment under the Original Cooperation Scheme while still allowing the Company to maintain its capacity as the controlling shareholder of Nantong Hemeijia by indirectly holding 51% equity interest therein.

The Board believes that the terms of the New Cooperation Scheme are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules, as the entering into of the New Cooperation Scheme constitutes a variation to the terms of the transactions announced under the Announcement.

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, 16 October 2020

As at the date of this announcement, the executive directors of the Company are Mr. Lin Yuming, Mr. Yang Guo and Mr. Wei Rongda; 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 Ms. Fang Lan, Mr. Cai Jiangnan and Ms. Hsu Wai Man Helen.