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HARMONICARE MEDICAL HOLDINGS LIMITED

和美醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1509)

CONNECTED TRANSACTION ACQUISITION OF 95% EQUITY INTEREST IN HEILONGJIANG HARMONICARE HOSPITAL

EQUITY TRANSFER AGREEMENT

On 21 December 2016, Guiyang HarMoniCare Hospital entered into the Equity Transfer Agreement with the Vendor, pursuant to which Guiyang HarMoniCare Hospital agreed to purchase, and the Vendor agreed to sell, 95% of the equity interest in Heilongjiang HarMoniCare Hospital at a cash consideration of RMB5,000,000.

As at the date of this announcement, the equity interest of Heilongjiang HarMoniCare Hospital is owned as to 95% by the Vendor, 4% by Mr. Wei Rongda (魏榮達) and 1% by Mr. Wu Yaping (吳亞平). Mr. Wei is an Independent Third Party, and Mr. Wu is the brother-in-law of Mr. Lin and thus a deemed connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. Upon completion of the Acquisition, Heilongjiang HarMoniCare Hospital will be held as to 95% by Guiyang HarMoniCare Hospital and will become an indirect subsidiary of the Company, while its financial results and position will be included in the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

The Vendor is originally not a connected person of the Company for the purpose of Rule 14A.07(1) to Rule 14A.07(5) of the Listing Rules. However, pursuant to Rule 14A.07(6) of the Listing Rules, a connected person is a person deemed to be connected by the Stock Exchange. After consulting with the Stock Exchange, the Vendor is deemed to be a connected person of the Company (as defined under Rule 14A.07(6) of the Listing Rules) by the Stock Exchange pursuant to Rule 14A.19 of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to, among other things, the reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE ACQUISITION

The Board announces that Guiyang HarMoniCare Hospital, a wholly-owned subsidiary of the Company, and the Vendor entered into the Equity Transfer Agreement on 21 December 2016, pursuant to which Guiyang HarMoniCare Hospital agreed to purchase, and the Vendor agreed to sell 95% of the equity interest in Heilongjiang HarMoniCare Hospital at a cash consideration of RMB5,000,000.

Upon completion of the Acquisition, Heilongjiang HarMoniCare Hospital will be held as to 95% by Guiyang HarMoniCare Hospital and will become an indirect subsidiary of the Company, while its financial results and position will be included in the consolidated financial statements of the Group.

THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set out as follows:

Date:

21 December 2016

Parties:

Purchaser: Guiyang HarMoniCare Hospital

Vendor: Mr. Chen Jun Shan (陳俊山), who owns 95% equity interest in Heilongjiang HarMoniCare Hospital as at the date of this announcement

Subject matter:

Guiyang HarMoniCare Hospital agreed to purchase, and the Vendor agreed to sell, 95% of the equity interest in Heilongjiang HarMoniCare Hospital.

Basis for determining consideration and payment method:

The consideration for the 95% equity interest in Heilongjiang HarMoniCare Hospital is RMB5,000,000 (the “**Consideration**”) and shall be payable by Guiyang HarMoniCare Hospital in cash. The Consideration was determined between the parties after arm’s length negotiations with reference to the valuation conducted by an independent valuer based via income approach on the net asset of Heilongjiang HarMoniCare Hospital as at 31 October 2016.

Guiyang HarMoniCare Hospital will settle the Consideration in the following manner:

- (a) 80% of the Consideration within 10 working days after the Equity Transfer Agreement is signed by the parties; and
- (b) the remaining 20% of the Consideration within 10 working days after completion of the relevant industrial and commercial registrations of changes of Heilongjiang HarMoniCare Hospital to record the change in its shareholder.

The Directors (including the independent non-executive Directors) are of the view that the basis for determining the Consideration and payment method is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be financed by internal resources of the Group.

FINANCIAL INFORMATION OF HEILONGJIANG HARMONICARE HOSPITAL

Set out below are the key financial figures* of Heilongjiang HarMoniCare Hospital for the two years ended 31 December 2015 and the ten months ended 31 October 2016:

	For the year ended 31 December 2014 (RMB) (unaudited)	For the year ended 31 December 2015 (RMB) (audited)	For the ten months ended 31 October 2016 (RMB) (audited)
Profit before taxation	(15,086,123)	(16,421,780)	2,408,820
Profit after taxation	(15,086,123)	(16,421,780)	2,408,820
Net asset value	(83,126,396)	(99,548,177)	(97,139,357)

* The key financial figures for the year ended 31 December 2014 are based on the unaudited management accounts of Heilongjiang HarMoniCare Hospital, whereas the key financial figures for the year ended 31 December 2015 and for the ten months ended 31 October 2016 are prepared and audited in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (“PRC GAAP”)

DISCLOSURE IN RELATION TO RULES 14.61 AND 14.62 OF THE LISTING RULES

The consideration for the 95% equity interest in Heilongjiang HarMoniCare Hospital was determined between the parties after arm's length negotiations taking into account the valuation of the net asset of Heilongjiang HarMoniCare Hospital as at 31 October 2016, based on the asset valuation report issued on 20 December 2016 (the "**Valuation Report**") by ZhongHengGuoTai (Beijing) Asset Valuation Co., Ltd. (中衡國泰(北京)資產評估有限責任公司), an independent appraisal firm, adopting the income approach.

Profit forecast in relation to the Valuation Report

Given that the appraisal of Heilongjiang HarMoniCare Hospital has adopted the income approach, which involves the discounted cash flow method, such valuation is regarded as profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions upon which the Valuation Report has been prepared are set out below:

1. *Transaction assumption:* Assuming all assets to be valued are in the course of transaction and the valuation is based on comparable market including terms of transaction of the target asset;
2. *Open market assumption:* Assuming there is a fully active asset market and each party in the market has sufficient time and is capable of acquiring different information of the relevant assets, and makes reasonable decisions;
3. *Continuous use assumption:* Continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets in such market conditions. It is first assumed that the assets to be valued are in use, and it is further assumed that the assets that are in use will be used continuously. Under continuous use assumption, the conversion of the use of the assets or the optimum use of the assets is not taken into consideration. Thus, the valuation results are subject to a restricted scope of applicability;
4. *Going concern assumption:* It is an assumption of assessing all the assets of the enterprise as the target asset. That means the enterprise will be able to, in pursuit of the operation objectives, continue operating in all external environment. The management of the enterprise is responsible for and capable of assuming responsibility, the enterprise operate legitimately and can obtain adequate profit for continuing operation;
5. The management of Heilongjiang HarMoniCare Hospital is held liable that its operation is in full compliance with all relevant prevailing laws and regulations in the PRC;
6. The assets of Heilongjiang HarMoniCare Hospital maintain ongoing operation on the basis of the current operation scope and way with reasonable investment after 31 October 2016, while the enterprise manages to retain and attract competent management personnel, key talents and technicians for supporting its development moving forward;

7. The social and economic conditions in the area where Heilongjiang HarMoniCare Hospital is located and the PRC have no material changes. Save as those policies promulgated, the macro-economic policies tend to be stable while taxation, interest rates and price level in the PRC remain substantially stable in the foreseeable future. Development of relevant industries is smoothly implemented in accordance with development plans, and the trend of continuous stable national economy as well as healthy development remains unchanged;
8. The forecast of revenue in the future is based on analysing the operation and management capabilities of the enterprise of the previous years. This valuation is made on the assumption that the enterprise can maintain or enhance its existing management and operation level. Circumstances in which corporate effectiveness of the enterprise experiencing significant fluctuation or fall outside the scope of forecast due to significant decisions or management reasons in the future are not included in the scope of the valuation;
9. Future business development of the enterprise is smoothly implemented in accordance with the overall corporate development plan with expected goals being basically achieved;
10. Each of the enterprise's average unit price and cost maintains its movement trend in recent years without special changes; there is no material change of the enterprise's accounting policies and auditing methods;
11. This forecast is based on the shareholding structure of Heilongjiang HarMoniCare Hospital as at the valuation benchmark date on 31 October 2016, and impact arising from any possible change of shareholding structure subsequent to such benchmark date on its operations and profitability in the future is not taken into consideration;
12. Heilongjiang HarMoniCare Hospital will not incur material losses in respect of the enterprise and its business in coming years due to reasons such as force majeure, and except interest-bearing liabilities, other uncertain profit or loss will not be taken into consideration; and
13. This valuation does not take into account of the impact of inflation on the valuation.

Deloitte Touche Tohmatsu, the reporting accountants of the Company, has reported to the Directors in respect of the compilation, in accordance with the assumptions described above, of the discounted future estimated cash flows in connection with the valuation of 95% equity interest in Heilongjiang HarMoniCare Hospital prepared by ZhongHengGuoTai (Beijing) Asset Valuation Co., Ltd as set out in the Appraisal Report dated 20 December 2016. The Board has reviewed the forecast and confirmed that the forecast had been made after due and careful enquiry. Confirmation letters from Deloitte Touche Tohmatsu and the Board have been lodged with the Stock Exchange in accordance to Rule 14.62 of the Listing Rules on the same date of this announcement.

The qualifications of the experts who have provided their opinions and advices, which are included in this announcement, are as follows:

Name	Qualifications
ZhongHengGuoTai (Beijing) Asset Valuation Co., Ltd. (中衡國泰(北京)資產評估有限責任公司)	Independent Professional Appraiser
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report or letter and/or all references to its name in the form and context in which it respectively appears in this announcement.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all the above experts are third parties independent of the Group and its connected persons.

As at the date of this announcement, none of the above experts had any shareholding or was beneficially interested in, directly or indirectly, any member of the Group or had the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

BACKGROUND OF THE DISPOSAL

Prior to the Reorganization, Heilongjiang HarMoniCare Hospital was previously held as to 95% by one of the then controlling Shareholders, Mr. Lin, through Bosheng Medical. On 24 December 2014, Bosheng Medical transferred 95% equity interest in Heilongjiang HarMoniCare Hospital to the Vendor as part of the Reorganization in preparation of the Listing as disclosed in the Prospectus due to Heilongjiang HarMoniCare Hospital's inability in meeting the then target profitability level of the Group. As disclosed in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus, the then consideration paid by the Vendor for the Disposal was RMB3,000,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Given the improved and increased profitability of Heilongjiang HarMoniCare Hospital since the Disposal, the Directors are of the view that the Acquisition will be conducive to the business development and extension into upstream and downstream industries of the Group in Heilongjiang Province of the PRC.

In view of the above, the Directors (excluding the Directors who are required to abstain from voting, but including the independent non-executive Directors) are of the view that the Acquisition is on normal commercial terms, and that the transaction contemplated under the Equity Transfer Agreement is in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Lin, being an executive Director, the largest individual shareholder of Bosheng Medical and the brother-in-law of Mr. Wu Yaping (吳亞平), and

taking into account of his previous relationship with the Vendor, in order to avoid any potential conflict of interests, he has voluntarily abstained from voting on the relevant transaction at the Board meeting. Mr. Lin Yuguo, being a non-executive Director and brother of Mr. Lin, has also voluntarily abstained from voting on the relevant transaction at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the Acquisition.

INFORMATION ABOUT THE GROUP AND GUIYANG HARMONICARE HOSPITAL

The Group is principally engaged in private obstetrics and gynecology specialty hospital services in the PRC.

Guiyang HarMoniCare Hospital is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in similar activities as the Group in the Guiyang area of the PRC.

INFORMATION OF HEILONGJIANG HARMONICARE HOSPITAL

Heilongjiang HarMoniCare Hospital is a company established in the PRC with limited liability on 20 May 2010 and is principally engaged in providing private obstetrics and gynecology specialty hospital services in Heilongjiang Province of the PRC.

As at the date of this announcement, the equity interest of Heilongjiang HarMoniCare Hospital is owned as to 95% by the Vendor, 4% by Mr. Wei Rongda (魏榮達) and 1% by Mr. Wu Yaping (吳亞平). Mr. Wei is an Independent Third Party, and Mr. Wu is the brother-in-law of Mr. Lin and thus a deemed connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. Upon completion of the Acquisition, Heilongjiang HarMoniCare Hospital will be held as to 95% by Guiyang HarMoniCare Hospital and will become an indirect subsidiary of the Company, while its financial results and position will be included in the consolidated financial statements of the Group.

INFORMATION OF THE VENDOR

Save as disclosed in this announcement, the Vendor is an Independent Third Party. However, the Vendor was also the purchaser who acquired the 95% equity interest of Heilongjiang HarMoniCare Hospital from Bosheng Medical on 24 December 2014 as part of the Reorganization in preparation of the Listing (as described in the section headed “History, Reorganization and Corporate Structure” of the Prospectus). Pursuant to Rule 14A.07(6) of the Listing Rules, a connected person is a person deemed to be connected by the Stock Exchange. After consulting with the Stock Exchange, due to the close proximity of time between the Disposal and the Acquisition, the Vendor is deemed as a connected person of the Company (as defined under Rule 14A.07(6) of the Listing Rules) by the Stock Exchange pursuant to Rule 14A.19 of the Listing Rules.

LISTING RULES IMPLICATIONS

The Vendor is originally not a connected person of the Company for the purpose of Rule 14A.07(1) to Rule 14A.07(5) of the Listing Rules. However, the Vendor was also the purchaser who acquired the 95% equity interest of Heilongjiang HarMoniCare Hospital from Bosheng Medical on 24 December 2014 as part of the Reorganization in preparation of the Listing (as described in the section headed “History, Reorganization and Corporate Structure” of the Prospectus). Pursuant to Rule 14A.07(6) of the Listing Rules, a connected person is a person deemed to be connected by the Stock Exchange. After consulting with the Stock Exchange, due to the close proximity of time between the Disposal and the Acquisition, the Vendor is deemed to be a connected person of the Company (as defined under Rule 14A.07(6) of the Listing Rules) by the Stock Exchange pursuant to Rule 14A.19 of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to, among other things, the reporting and announcement requirements but is exempt from the circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 95% equity interest in Heilongjiang HarMoniCare Hospital as contemplated under the Equity Transfer Agreement
“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Board” or “Board of Director”	the board of Directors of the Company
“Bosheng Medical”	Bosheng Medical Investments Co., Ltd. (博生醫療投資股份有限公司), a limited liability company established in the PRC on 24 December 2007 and was subsequently converted into a joint stock limited liability company, a connected person to the Company by virtue of Mr. Lin, one of our controlling Shareholders holding approximately 37.43% in Bosheng Medical as at the date of this announcement
“Company” or “the 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
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules

“controlling shareholder(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 95% equity interest in Heilongjiang HarMoniCare Hospital by Mr. Lin through Bosheng Medical to the Vendor, details of which are set out in the section headed “Relationship with Our Controlling Shareholders” in the Prospectus
“Equity Transfer Agreement”	the equity transfer agreement dated 21 December 2016 entered into between Guiyang HarMoniCare Hospital and the Vendor in relation to the sale and purchase of 95% equity interest in Heilongjiang HarMoniCare Hospital
“Group”, or “the Group”	the Company and its subsidiaries
“Guiyang HarMoniCare Hospital”	Guiyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (貴陽和美婦產醫院有限公司), a limited liability company established in the PRC on 25 May 2009, which is a wholly-owned subsidiary of the Company
“Heilongjiang HarMoniCare Hospital”	Heilongjiang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (黑龍江和美婦產醫院有限公司), a limited liability company established in the PRC on 20 May 2010 and is held by the Vendor, Mr. Wei Rongda and Mr. Wu Yaping as to 95%, 4% and 1%, respectively, as at the date of this announcement
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Yuming (林玉明), the executive Director, chairman and president of the Company, who holds approximately 28.78% in the Company through Homecare International Investment Limited, a limited company incorporated under the laws of the British Virgin Islands on 25 August 2014

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 25 June 2015
“Reorganization”	the reorganization of the group of companies now comprising the Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s), with nominal value of HK\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Chen Jun Shan (陳俊山), who owns 95% equity interest in Heilongjiang HarMoniCare Hospital as at the date of this announcement and an Independent Third Party. However, Mr. Chen Jun Shan was also the purchaser who acquired the 95% equity interest of Heilongjiang HarMoniCare Hospital from Bosheng Medical on 24 December 2014 as part of the Reorganization in preparation of the Listing (as described in the section headed “History, Reorganization and Corporate Structure” of the Prospectus). After consulting with the Stock Exchange, due to the close proximity of time between the Disposal and the Acquisition, the Vendor is deemed as a connected person of the Company (as defined under Rule 14A.07(6) of the Listing Rules) by the Stock Exchange pursuant to Rule 14A.19 of the Listing Rules
“working days”	Monday to Friday, excluding public holidays and weekends
“%”	per cent

By Order of the Board
Harmonicare Medical Holdings Limited
Lin Yuming
Chairman, Executive Director and President

Hong Kong, 21 December 2016

As at the date of this announcement, the executive directors of the Company are Mr. LIN Yuming, Mr. FANG Zhifeng and Mr. ZHAO Xingli; 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.

** In this announcement, the English names of the PRC entities and individuals are transliteration of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*