

HealthBank Holdings Limited

(Company Registration Number: 201334844E)

(Incorporated in the Republic of Singapore)

RESTRUCTURING EXERCISE AND DISPOSAL OF AN INDIRECT SUBSIDIARY IN CHINA

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of HealthBank Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its 52%-owned subsidiary, Beijing Shengting Commercial Management Co., Ltd. (f.k.a. Beijing Libre Commercial Management Co., Ltd.) (“**BLCM**”), had on 1 January 2019, entered into the following agreements:

- (a) with BLCM’s wholly-owned subsidiary, Beijing Libre Hotel Management Co., Ltd. (“**BLHM**”) (the “**Transfers Agreement**”) in relation to the transfer of certain assets and liabilities as well as an apartment management contract and 5 long-term hotel management contracts from BLHM to BLCM (the “**Transfers**”) at a net consideration of RMB 2,765,752.96;
- (b) with Beijing Le Duo Business Consulting Co., Ltd. (“**BLD**”) and Mi Lin (collectively, the “**Purchasers**”) (the “**Disposal SPA**”) in relation to the sale of its entire equity interests in BLHM to the Purchasers (99% to BLD and 1% to Mi Lin) (the “**Disposal**”) at a consideration of RMB 2,765,752.96; and
- (c) with the Purchasers and BLHM (the “**Offsetting Agreement**”) in relation to the arrangement to offset the consideration of RMB 2,765,752.96 payable by BLCM to BLHM in relation to the Transfers against the consideration of RMB 2,765,752.96 payable by the Purchasers to BLCM in relation to the Disposal (the “**Offsetting Arrangement**”).

The Transfers, the Disposal and the Offsetting Arrangement are collectively being defined as the “**Restructuring Exercise**” hereafter. The Restructuring Exercise was conducted with an aim to streamline operations by consolidating operating assets and contracts of BLHM into BLCM and disposing of BLHM which was akin to a dormant entity after the Transfers, with both the Transfers and the Disposal completed at a net zero cash consideration.

The Restructuring Exercise was completed on 29 January 2019 and BLHM had ceased to be the subsidiary of the Group on the same day.

2. INFORMATION ON BLCM AND BLHM

Prior to the Restructuring Exercise, BLCM is an investment holding company which holds a group of entities in the business of property and hospitality management consultancy services, with BLHM being the sole active operating entity under BLCM group.

The Board refers to the Company’s announcement dated 23 July 2018 in relation to, *inter alia*, the call option agreement between the Company’s wholly-owned subsidiary, Elite Management (Singapore) Pte. Ltd., Zhang Li and Active Courage International Limited, to acquire all of the remaining 48% issued and paid-up share capital of BLCM (the “**Call Option**”). The Board confirms that the Restructuring Exercise does not and will not affect the Call Option in any way.

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3. INFORMATION ON THE PURCHASERS

BLD is a company which engages in providing business consulting services and was introduced to the Group by the BLCM management team and Mi Lin was the legal representative of BLHM before the Disposal. Save as disclosed above, the Purchasers are not related to the Group, the Company's directors, controlling shareholders and their respective associates, as well as the minority shareholder of BLCM.

4. RATIONALE OF THE RESTRUCTURING EXERCISE

As part of its strategic review, the Group has undertaken the Restructuring Exercise to streamline operations for greater efficiency, to achieve economies of scale so as to realise the synergistic benefits of the respective entities.

After the Transfers, BLHM would be akin to a dormant entity with no operating and revenue generating activities. Accordingly, as part of internal restructuring, the Group has considered various options for BLHM, including keeping BLHM as a dormant entity, merging BLHM with other entities of the Group and liquidating BLHM, before it derived at the decision for the Disposal. The Company is of the view that the Disposal is in the best interest of the Group as it is the most cost-effective option to complete the Restructuring Exercise.

5. THE TRANSFERS AGREEMENT

5.1. Pursuant to the terms of the Transfers Agreement, BLCM and BLHM agree to transfer the risks and rewards as at 31 December 2018 of the following items from BLHM to BLCM with effect from 1 January 2019 for an aggregate consideration of RMB 16,364,357.96:

- (a) An apartment management contract and 5 long-term hotel management contracts at zero consideration;
- (b) 91 registered trademarks and 35 applications for trademarks at a consideration of RMB 99,040.24 which is equivalent to their unaudited net carrying value as at 31 December 2018;
- (c) Cash and cash equivalent at a consideration of RMB 412,925.89 which is equivalent to its unaudited net carrying value as at 31 December 2018;
- (d) Accounts receivable at a consideration of RMB 15,824,988.58 (including the consideration in item (f) below) which is equivalent to its unaudited net carrying value as at 31 December 2018;
- (e) Fixed assets at a consideration of RMB 27,403.25 which is equivalent to its unaudited net carrying value as at 31 December 2018; and
- (f) Office lease agreement at a consideration of RMB 444,029.80 (already included in item (d) above) which is equivalent to the unaudited net carrying value of the advance payment for rental and deposit as at 31 December 2018.

The remaining items in BLHM after the transfer of items listed in paragraph 5.1 above include:

- (a) Total liabilities at an unaudited net carrying value of RMB 1,274,058.00 as at 31 December 2018 which consists of other payables of RMB 433,271.00, salaries payable of RMB 807,198.96 and tax payable of RMB 33,588.04; and
- (b) Total assets at an unaudited net carrying value of RMB 1,274,058.00 as at 31 December 2018 which consists of other receivables of RMB 645,578.20, prepayments

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of RMB 27,500.00, deferred tax assets of RMB 506,697.11 and cash balance of RMB 94,282.69.

For avoidance of doubt, the Group left behind its payment obligations in BLHM to save it from administrative works and costs to deal with various external creditors, including the relevant authorities such as tax authority, for the transfer of obligations to pay from BLHM to BLCM. As those payment obligations were related to the Group's operations before the Disposal, and accordingly, it also left behind the same amount of non-trade assets to compensate the Purchasers for taking up those payment obligations.

5.2. The aggregate consideration for the Transfers of RMB 16,364,357.96 is satisfied by way of:

- (a) offsetting against the amount due from BLHM to BLCM of RMB 13,298,605.00 at the unaudited net carrying value as at 31 December 2018;
- (b) transferring the liability of RMB 300,000 (i.e. the amount owed by BLHM to Beijing Zhuoyue Tiancheng Business Management Co., Ltd. ("ZYTC"), the Company's wholly-owned subsidiary and the direct holding company of BLCM, at the unaudited net carrying value as at 31 December 2018) from BLHM to BLCM; and
- (c) payment of RMB 2,765,752.96 by BLCM to BLHM.

The net consideration for the Transfers of RMB 2,765,752.96 was arrived at on a willing-buyer and willing-seller basis at the unaudited net assets value of BLHM before the Transfers (excluding items listed in paragraph 5.2 above).

5.3. All transfers (and offsetting, as the case may be) of assets, liabilities and contracts as listed in paragraphs 5.1 and 5.2 above have been completed as at the date of this announcement, except for:

- (a) the Jiangsu Zaolinwan Libre Collection Resort hotel management contract which is still under negotiation with the hotel in entering into a three-party supplemental agreement for the change of the contract party from BLHM to BLCM;
- (b) 91 registered trademarks, of which 61 applications to change the registered holder from BLHM to BLCM have been approved by the relevant authority, and 30 applications to change the registered holder from BLHM to BLCM are still under preparation by BLCM which are targeted to be submitted to the relevant authority by end of 2019; and
- (c) 35 applications for trademarks, the applications to change the registered holder from BLHM to BLCM will only be submitted after the trademarks are registered.

In relation to paragraph 5.3(a) above, notwithstanding that the contract is still under negotiation, the notification has been sent to the relevant debtor to inform the change of creditor from BLHM to BLCM and BLCM retains the rights (i) for the outstanding amount receivable from the relevant debtor for the balance as at 31 December 2018 and the subsequent receivable amount with effect from 1 January 2019, and (ii) for revenue earned since 1 January 2019. The outstanding amount receivable from the relevant debtor as at the date of this announcement amounted to RMB 600,000 has been recorded in BLCM's accounts and no revenue pertaining to the said contract has been recorded since 1 January 2019.

In relation to paragraphs 5.3(b) and (c) above, notwithstanding that not all registered trademarks holder has been transferred from BLHM to BLCM, the Group retains the rights to continue using all registered trademarks under separate Trademarks Transfer Agreements and Trademarks Authorisation Agreements.

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6. THE DISPOSAL SPA

- 6.1. Pursuant to the terms of the Disposal SPA, BLCM agrees to sell and the Purchasers agree to purchase 100% equity interests in BLHM in the following proportion: 99% to BLD and 1% to Mi Lin for a consideration of RMB 2,765,752.96.
- 6.2. The net consideration for the Disposal of RMB 2,765,752.96 was arrived at on a willing-buyer and willing-seller basis at the unaudited net assets value of BLHM after the Transfers (including items listed in paragraph 5.2 above as well as the net consideration receivable of RMB 2,765,752.96 from BLCM by BLHM for the Transfers).
- 6.3. The Disposal has been completed on 29 January 2019 where 100% equity interests in BLHM has been transferred from BLCM to the Purchasers.
- 6.4. Upon completion of the Disposal, the Group has recorded a gain on disposal of RMB 1,964,224.56, of which RMB 1,021,396.77 is attributable to the owners of the Company and RMB 942,827.79 is attributable to the non-controlling interests. The gain on disposal arose as the audited net assets value of BLHM as at 31 December 2018 amounted to RMB 801,528.40 due to subsequent audit adjustments of an aggregate of RMB 1,964,224.56 mainly relates to increase in accruals for salary-related expenses and decrease in deferred tax assets.

7. THE OFFSETTING AGREEMENT

Pursuant to the terms of the Offsetting Agreement, BLCM, the Purchasers and BLHM agree to offset the net consideration of RMB 2,765,752.96 payable by BLCM to BLHM in relation to the Transfers against the consideration of RMB 2,765,752.96 payable by the Purchasers to BLCM in relation to the Disposal.

8. FINANCIAL EFFECTS OF THE RESTRUCTURING EXERCISE

The pro forma financial effects of the Restructuring Exercise set out below, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2018 ("FY2018"), are purely for illustration purposes only and do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Restructuring Exercise. The financial effects as shown below are prepared on the assumption that the expenses in connection with the Restructuring Exercise have been disregarded as they are immaterial.

8.1. Net tangible assets ("NTA") per share

The effect of the Restructuring Exercise on the consolidated NTA per share of the Group for FY2018, assuming that the Restructuring Exercise had been completed as at 31 December 2018 is as follows:

As at 31 December 2018	Before the Restructuring Exercise	After the Restructuring Exercise
NTA ⁽¹⁾ (RMB'000)	51,843	53,638
Number of issued shares (excluding treasury shares)	78,000	78,000
NTA per share (RMB cents)	66.47	68.77

Note:

(1) NTA refers to total assets less sum of total liabilities, non-controlling interests and intangible assets.

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8.2. Loss per share (“LPS”)

The effect of the Restructuring Exercise on the consolidated NTA per share of the Group for FY2018, assuming that the Restructuring Exercise had been completed as at 1 January 2018 is as follows:

FY2018	Before the Restructuring Exercise	After the Restructuring Exercise
Loss attributable to equity holders of the Company (RMB'000)	(2,299)	(603)
Number of issued shares (excluding treasury shares)	78,000	78,000
LPS (RMB cents)	(2.95)	(0.77)

9. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

The Transfers are pertaining to the Group’s internal restructuring exercise which only involved the entities within the Group. However, the Disposal falls within the scope of Chapter 10 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”).

The relative figures for the Disposal computed on the bases set out in Catalist Rule 1006 are as follows:

Rule 1006(a)	RMB'000
52% of unaudited net assets value of BLHM as at 31 December 2018 ⁽³⁾	1,438
Group’s unaudited net assets value as at 30 June 2018 ⁽¹⁾⁽²⁾	79,295
Relative figure	1.8%
Rule 1006(b)	
Unaudited net profits before tax attributable to 52% of BLHM for 6-month ended 30 June 2018 (“1H2018”) ⁽³⁾	Not meaningful
Group’s unaudited net loss before tax for 1H2018 ⁽¹⁾⁽²⁾	(880)
Relative figure	Not meaningful
Rule 1006(c)	
52% of the consideration for the Disposal	1,438
Market capitalisation of the Company as at 28 December 2018 (last day when the shares of the Company were traded before the date of the Disposal SPA)	43,740
Relative figure	3.3%
Rule 1006(d)	
Number of consideration shares	Not applicable. There are no equity securities issued by the Company.
Number of shares in the Company in issue as at the date of this announcement	
Relative figure	
Rule 1006(e)	
Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group’s proven and probable reserves	Not applicable. The Company is not a mineral, oil and gas company.

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Notes:

- (1) The relative figures of the Disposal computed on the relevant bases set out in Catalist Rule 1006 based on the then latest announced unaudited financial results announcement for 1H2018 prior to the date of the Disposal SPA of 1 January 2019.
- (2) In 2H2018, the Group has decided to change its presentation currency from Singapore Dollar ("SGD") to Chinese Yuan ("RMB") with effect from 1 January 2018. Correspondingly, the 1H2018 figures presented in SGD in the 1H2018 results announcement have been restated to take into account of the effect of the change in the Group's presentation currency.
- (3) BLHM was only being acquired by the Group in August 2018 and BLHM's accounts were only consolidated into the Group's accounts with effect from 1 July 2018. In addition, it is not meaningful to compute the relative figure for Catalist Rule 1006(b) as the Disposal came after the Transfers as part of the Restructuring Exercise where the economic benefits of the management contracts with the customers and the rights to the intellectual properties, in other words, the operating assets and business, still retained within the Group.

As the relative figure under Catalist Rule 1006(b) would have been a negative figure due to the Group's loss-making position for 1H2018, the Company has consulted the SGX-ST via the Sponsor in accordance with Catalist Rule 1007(1) on the treatment of the relative figure for Catalist Rule 1006(b). The SGX-ST has confirmed that the Disposal constitutes a discloseable transaction under Chapter 10 of the Catalist Rules and accordingly the approval of the shareholders of the Company for the Disposal will not be required.

10. NON-DISCLOSURE OF THE DISPOSAL UNDER CATALIST RULE 704(17)(C)

The Transfers are pertaining to the Group's internal restructuring exercise which only involved the entities within the Group. However, the Disposal, while it is part of the internal restructuring exercise, would require an immediate announcement under Catalist Rule 704(17)(c) as it involved sale of shares resulting in BLHM ceased to be a subsidiary of the Group. The Disposal would have also triggered the disclosure requirements under Chapter 10 of the Catalist Rules.

The new finance manager, who joined the Group in May 2019, discovered the non-disclosure of the Disposal in late June 2019 when he was reviewing the management accounts of the subsidiaries of the Group for May 2019. The Board had then initiated an internal review with the assistance of the finance manager to establish the following:

(a) the facts and circumstances of the Restructuring Exercise (including the Disposal)

The facts and circumstances of the Restructuring Exercise have been established and the material information has been disclosed in this announcement.

The Board, having considered, among others:

- (i) the terms of and the rationale for the Restructuring Exercise; and
- (ii) the Transfers have been completed, especially with the economic benefits of the management contracts with the customers and the rights to the intellectual properties remain in the Group,

is of the view that the Restructuring Exercise is in the interests of the Company. Accordingly, the Board has ratified and approved the Restructuring Exercise.

(b) the reason for the non-disclosure of the Disposal

Based on the internal review, the non-disclosure of the Disposal was mainly due to breakdown in communication between Singapore and BLCM management team.

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Amongst others, the management team of BLCM group which was newly acquired by the Group in August 2018, was not aware of the Restructuring Exercise being within the list of reserved matters specifically require the Board's decision or approval ("**Board's Reserved Matters**"). The management of the Company confirms that the omission of the reporting of the Restructuring Exercise to the Board is an isolated case and save for the Restructuring Exercise, there are no other Board's Reserved Matters not reported to the Board or any other matters not disclosed to the public in accordance to the Catalist Rules. Based on the above confirmation from the management of the Company, the Board confirms that the non-disclosure of the Disposal is an isolated case and save for the Disposal, there are no other matters not disclosed to the public in accordance to the Catalist Rules.

(c) the follow-up actions by the Company

The Company has, since then, taken steps to improve the communication between Singapore office and China offices, conducted briefing to BLCM management team on the Board's Reserve Matters and the management reporting requirements, and introduced additional internal procedures to improve the monitoring over the operations in China.

The Board is of the view that after taking into account the abovementioned follow up actions, introduction of additional internal procedures as well as the fact that there is sufficient manpower and expertise in the Finance Department of the Company to handle both financial and compliance matters of the Group, the current internal controls established and maintained by the Group are adequate and effective.

The Board has included the review of the adequacy and effectiveness of the internal controls currently put in place as part of the scope of independent internal audit for the financial year ending 31 December 2019.

The Company has, through the Sponsor, informed the SGX-ST about the non-disclosure pursuant to Catalist Rule 704(17)(c) and Chapter 10 of the Catalist Rules.

11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Restructuring Exercise. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's directors, controlling shareholders and their respective associates has any interest, direct or indirect, in the Restructuring Exercise (other than through their respective directorships and shareholding interests in the Company, if any).

13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the Company's registered office at 80 Raffles Place #11-20 UOB Plaza 2 Singapore 048624 for 3 months from the date of this announcement:

- (a) Transfers Agreement;
- (b) Disposal SPA; and
- (c) Offsetting Agreement.

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BY ORDER OF THE BOARD

Peng Fei
Executive Director and Chief Executive Officer
21 August 2019

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: +65 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.