

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



廣東康華醫療股份有限公司
GUANGDONG KANGHUA HEALTHCARE CO., LTD.*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3689)

CONNECTED TRANSACTION

PROVISION OF PROJECT MANAGEMENT SERVICES

PROJECT MANAGEMENT SERVICES AGREEMENT

The Board announces that on 25 June 2021, Kanghua Healthcare Investment (a wholly-owned subsidiary of the Company) as the developer of the Project entered into the Project Management Services Agreement with Kanghua Real Estate Development (a connected person of the Company) as management services provider for the Project following a selection process conducted by the Company. Pursuant to the Project Management Services Agreement, Kanghua Real Estate Development agrees to provide Kanghua Healthcare Investment with project management services for the Project for a total management fee of not more than RMB15,600,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, to the best of the Directors' knowledge, Kanghua Real Estate Development is owned as to 80% by Xingye Group, which is in turn owned as to 50% by Mr. Wang Junyang (an executive director and the chairman of the Company). As such, Kanghua Real Estate Development is an associate of Mr. Wang Junyang, and a connected person of the Company under the Listing Rules. Accordingly, the Project Management Services Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the maximum management fee payable by Kanghua Healthcare Investment to Kanghua Real Estate Development under the Project Management Services Agreement exceeds 0.1% but is less than 5%, the Project Management Services Agreement is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 July 2020 in relation to acquisition of land use rights of the Land Parcel situated at Jiaoling Villagers Committee, Liheng Village, Qingxi Town, Dongguan City, the PRC (east to the open space, south to the Qingxi Revolutionary Martyrs Monument, west to the road, north to the Qingxi Nursing Home)* (中國東莞市清溪鎮荔橫村角岭村民小組 (東至空地, 南至清溪革命烈士紀念碑, 西至路, 北至清溪敬老院)), with a total site area of approximately 72,256.49 square meters. Kanghua Healthcare Investment has undertaken to develop the Project on the Land Parcel.

The Board announces that on 25 June 2021, Kanghua Healthcare Investment (a wholly-owned subsidiary of the Company) as the developer of the Project entered into the Project Management Services Agreement with Kanghua Real Estate Development (a connected person of the Company) as management services provider for the Project following a selection process conducted by the Company. Pursuant to the Project Management Services Agreement, Kanghua Real Estate Development agrees to provide Kanghua Healthcare Investment with project management services for the Project for a total management fee of not more than RMB15,600,000.

PRINCIPAL TERMS OF THE PROJECT MANAGEMENT SERVICES AGREEMENT

- Date : 25 June 2021
- Parties : (1) Kanghua Healthcare Investment (a wholly-owned subsidiary of the Company) as the developer of the Project; and
- (2) Kanghua Real Estate Development (a connected person of the Company) as management services provider for the Project
- Subject Matter : Kanghua Real Estate Development shall provide project management services (development initiation; design; cost; procurement; and construction management and acceptance) for the Project, including: (i) project planning and design tracking and review; (ii) project regulatory approval works; (iii) project costs, funds and payment management; (iv) project subcontracting works, equipment and materials procurement and bidding management; (v) project construction contract negotiations, preparation and signing; (vi) project construction progress, quality and safety management and related coordination matters; and (vii) construction completion acceptance, certification (excluding medical-related component) and transfer.

- Term : 48 months from the date of the Project Management Services Agreement, which is the estimated time needed to complete the Project, with the relevant construction completion documents filed, accepted and approved by the relevant regulatory authorities.
- Management Fee : The management fee payable by Kanghua Healthcare Investment to Kanghua Real Estate Development shall be 2% of the construction component of the development cost of the Project, but in any event shall not exceed RMB15,600,000 in aggregate. The Board currently expects that the construction component of the development cost of the Project will be approximately RMB780.0 million in aggregate.
- Payment Terms : The management fee will be payable on an annual basis based on 2% of the construction component of the development costs actually incurred for each of the financial years ending 31 December.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROJECT MANAGEMENT SERVICES AGREEMENT

The Group will undertake an integrated healthcare project on the Land Parcel to develop, among other things, comprehensive medical facilities with a particular focus on geriatric patients and rehabilitation. The Group is principally engaged in the provision of hospital services, provision of rehabilitation and other healthcare services, sales of pharmaceutical products and provision of elderly healthcare services in the PRC. Therefore, the Group does not possess the relevant management capabilities for the construction and development stage of the Project. The Board believes that, leveraging Kanghua Real Estate Development's expertise and experience in property development in the PRC, the Group will be able to significantly lower the relevant risks and costs associated with developing the Project.

The Company has conducted a selection process and obtained quotations from three project management services providers (including Kanghua Real Estate Development) that the Board considered to be appropriately qualified to provide property management services for the Project. Kanghua Real Estate Development was finally selected as the service provider, having considered its overall cost effectiveness, expertise and experience and familiarity with the requirements of the Group. The Board considers that selection of Kanghua Real Estate Development as the management service provider for the Project and the terms and conditions of the Project Management Services Agreement were premised on a competitive process, in line with market practice and the commercial interest of the Group.

The Board (including the independent non-executive Directors) considers that the Project Management Services Agreement is on normal commercial terms (on arm's length basis or on terms no less favourable to the Group than terms available from independent third parties) or better (from the perspective of the Group) and in the ordinary and usual course of business of the Group, the terms of the Project Management Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND KANGHUA REAL ESTATE DEVELOPMENT

The Group is principally engaged in the provision of hospital services, provision of rehabilitation and other healthcare services, sales of pharmaceutical products and provision of elderly healthcare services in the PRC.

Kanghua Real Estate Development is a company established in the PRC with limited liability and it is principally engaged in real estate development, estate investment and provision of construction project management services.

As at the date of this announcement, to the best of the Directors' knowledge, Kanghua Real Estate Development is owned as to:

- (i) 80% by Xingye Group, which is in turn owned as to 50% by Mr. Wang Junyang (an executive director and the chairman of the Company), as to 37.5% by Dongguan Kangwei Industrial Investment Co., Ltd. (東莞市康偉實業投資有限公司) and as to 12.5% by Ms. Wang Aici; and
- (ii) 20% by Xingda Property, which is owned as to 50% each by Mr. Chen Wangzhi and Ms. Wang Aiqin (both are executive directors of the Company).

LISTING RULES IMPLICATIONS

As at the date of this announcement, to the best of the Directors' knowledge, Kanghua Real Estate Development is owned as to 80% by Xingye Group, which is in turn owned as to 50% by Mr. Wang Junyang (an executive director and the chairman of the Company). As such, Kanghua Real Estate Development is an associate of Mr. Wang Junyang, and a connected person of the Company under the Listing Rules. Accordingly, the Project Management Services Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the maximum management fee payable by Kanghua Healthcare Investment to Kanghua Real Estate Development under the Project Management Services Agreement exceeds 0.1% but is less than 5%, the Project Management Services Agreement is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given his/her indirect interest in Kanghua Real Estate Development, each of Mr. Wang Junyang, Mr. Chen Wangzhi and Ms. Wang Aiqin had abstained from voting on the Board resolution(s) with respect to the Project Management Services Agreement. Save for the foregoing, no other Directors had a material interest in the Project Management Services Agreement and were required to abstain from voting on the relevant Board resolution(s).

DEFINITIONS

In this announcement, the following expressions shall have the meanings as set out below unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司), a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3689)
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	overseas-listed foreign invested ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Kanghua Healthcare Investment”	Dongguan Kanghua Healthcare Investment Co., Ltd.* (東莞康華醫療投資有限公司), a limited liability company established in the PRC on 7 August 2020 with registered and paid-up capital of RMB1,000,000, a direct wholly-owned subsidiary of the Company
“Kanghua Real Estate Development”	Dongguan Kanghua Real Estate Development Co., Ltd.* (東莞市康華房地產開發有限公司), a limited liability company established in the PRC on 6 September 2016, is owned as to 80% by Xingye Group and 20% by Xingda Property

“Land Parcel”	the land parcel situated at Jiaoling Villagers Committee, Liheng Village, Qingxi Town, Dongguan City, PRC (east to the open space, south to the Qingxi Revolutionary Martyrs Monument, west to the road, north to the Qingxi Nursing Home)* (中國東莞市清溪鎮荔橫村角岭村民小組 (東至空地, 南至清溪革命烈士紀念碑, 西至路, 北至清溪敬老院)) (Parcel No. Plot 012 of Year 2019 in Qingxi Town* (清溪鎮2019年012地塊)), with a total site area of approximately 72,256.49 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the construction and development of an integrated healthcare project on the Land Parcel
“Project Management Services Agreement”	the construction and development project management agreement dated 25 June 2021 entered into between Kanghua Healthcare Investment and Kanghua Real Estate Development pursuant to which Kanghua Healthcare Investment engages Kanghua Real Estate Development to provide project management services in relation to the Project
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xingda Property”	Dongguan Xingda Property Investment Co., Ltd.* (東莞市興達物業投資有限公司), a limited liability company established in the PRC on 14 December 2001 and one of the controlling shareholders holding approximately 8.22% interest in the Company

“Xingye Group”

Dongguan Xingye Group Co., Ltd. (東莞市興業集團有限公司), a limited liability company established in the PRC on 15 April 1997 and one of the controlling shareholders holding approximately 7.48% interest in the Company

“%”

per cent

By order of the Board
Guangdong Kanghua Healthcare Co., Ltd.
WANG Junyang
Chairman

Hong Kong
25 June 2021

As at the date of this announcement, the Board comprises:

Executive directors:

Mr. Wang Junyang (*Chairman*)
Mr. Chen Wangzhi (*Chief executive officer*)
Mr. Wong Wai Hung (*Vice chairman*)
Ms. Wang Aiqin

Independent non-executive directors:

Dr. Chen Keji
Mr. Yeung Ming Lai
Mr. Chan Sing Nun

Non-executive director:

Mr. Lv Yubo

* *Unofficial transliteration from Chinese name for identification purposes only*