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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)

**DISCLOSEABLE TRANSACTION
ENTERING INTO THE PARTNERSHIP AGREEMENT**

ENTERING INTO THE PARTNERSHIP AGREEMENT

The Board is pleased to announce that on 1 December 2021 (after trading hours), Dongguan Kanghua (as Limited Partner), a wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Beijing Bosong (as Executive Partner, Manager and General Partner) and Manda Property (as General Partner), both Independent Third Parties, in respect of, among other matters, the establishment of the Fund. Pursuant to the Partnership Agreement, the initial capital commitment to the Fund is RMB102,000,000, which shall be contributed by Dongguan Kanghua as to RMB100,000,000 (representing approximately 98.04% of the initial capital commitment), Beijing Bosong as to RMB1,000,000 (representing approximately 0.98% of the initial capital commitment) and Manda Property as to RMB1,000,000 (representing approximately 0.98% of the initial capital commitment).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the capital commitment by Dongguan Kanghua is more than 5% and less than 25%, the entering into of the Partnership Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 1 December 2021 (after trading hours), Dongguan Kanghua (as Limited Partner), a wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Beijing Bosong (as Executive Partner, Manager and General Partner) and Manda Property (as General Partner), both Independent Third Parties, in respect of, among other matters, the establishment of the Fund. Pursuant to the Partnership Agreement, the initial capital commitment to the Fund is RMB102,000,000, which shall be contributed by Dongguan Kanghua as to RMB100,000,000 (representing approximately 98.04% of the initial capital commitment), Beijing Bosong as to RMB1,000,000 (representing approximately 0.98% of the initial capital commitment) and Manda Property as to RMB1,000,000 (representing approximately 0.98% of the initial capital commitment).

THE PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are set out as follows: –

Date	1 December 2021
Name of the Fund	Guangdong Bosong Kanghua Equity Investment Partnership, L.P.* (廣東鉅頌康華股權投資合夥企業 (有限合夥))
Parties	<i>General Partner, Executive Partner and Manager</i> Beijing Bosong <i>General Partner</i> Manda Property <i>Limited Partner</i> Dongguan Kanghua
Term	The initial term of the Fund shall be seven (7) years (the “Initial Term”). After the expiration of the Initial Term, if the investment project has not yet been disposed of and realized, the term of the Fund may be extended by one (1) year with the consent of all Partners.

Purpose of the Fund

To achieve investment returns and capital appreciation through carrying out investment, investment management and other activities in accordance with PRC laws, business scope under business registration, and the Partnership Agreement.

To the extent permitted by the applicable laws, the Fund will invest primarily in the fields of medical services, biotechnology, medical equipment, and medical informatics.

Capital contribution

The Fund shall initially raise a total capital of RMB102,000,000, which shall be contributed by each of the Partners as follows:

Partners	Capital commitment RMB	Percentage of total capital commitment (approximate %)
Beijing Bosong	1,000,000	0.98%
Manda Property	1,000,000	0.98%
Dongguan Kanghua	100,000,000	98.04%
	<u>102,000,000</u>	<u>100%</u>

Subject to the terms of the Partnership Agreement, it may be passed in partnership meetings to raise additional funds to be contributed by either existing or new Limited Partners.

The Group intends to fund the capital commitment to be contributed by Dongguan Kanghua by its internal resources. The capital contribution of Dongguan Kanghua is determined based on commercial decision.

Management of the partnership The power over the management and control of the operation, investment affairs and other matters of the Fund shall be exercised by the Executive Partner or through the investment decision committee or its authorized representatives. The investment decision committee is the highest investment decision-making body that reviews and makes decisions on investment projects and investment plans. The investment decision committee shall consist of three (3) members, two (2) appointed by Beijing Bosong as the Manager, and one (1) appointed by Manda Property as a General Partner.

Partnership meetings

All the Partners shall be entitled to attend and vote on any matters of the Fund submitted for approval in partnership meetings, pursuant to the applicable laws and the Partnership Agreement.

Management fees The Fund shall pay the Manager an annual management fee pursuant to the terms of the Partnership Agreement as set out below:

- (1) during the investment period (first five (5) years of the Initial Term), the management fee shall be calculated as 2% per annum of the subscribed capital contribution of all the Partners to the Fund; and
- (2) during the exit period (last two (2) years of the Initial Term), the management fee shall be calculated as 2% per annum of the sum of the investment costs not being returned to the Partners. No management fee shall be payable during any extended period beyond the Initial Term.

Profit distribution and loss sharing

Cash distribution

Income derived from the investment projects of the Fund shall be distributed amongst the Partners participating in the investment projects in proportion to their respective paid-up capital contribution in the following order:

- (i) firstly, 100% shall be distributed to the Partners in proportion to each partner's respective paid-up capital contribution until the cumulative distributions to such partner equals to the amount of such partner's paid-up capital contribution;
- (ii) secondly, 100% shall be distributed to the Limited Partners such that each Limited Partner has received cumulative distributions in an amount equals to a simple interest rate of 8% per annum on such Limited Partner's paid-up capital contribution; and
- (iii) thirdly, 80%, 10% and 10% of the remaining portion shall be distributed to Dongguan Kanghua, Beijing Bosong and Manda Property, respectively.

Non-cash distribution

Prior to the completion of the liquidation of the Fund, the Executive Partner shall, on a best effort basis, realise the Fund's investments and avoid non-cash distribution. In the case of making non-cash distribution:

- (i) for non-cash assets that are publicly traded securities and severable, the value of which shall be determined based on the fair market value; and
- (ii) for other non-cash assets, the Executive Partner shall appoint an independent third-party valuer to assess and confirm their value.

Loss sharing

Subject to the provisions in the Partnership Agreement, the loss and liabilities of the Fund shall be allocated among the Partners *pro rata* in proportion to their paid-up capital contribution (provided that the amount allocated to each Limited Partner shall not exceed such Limited Partner's capital commitment).

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE PARTNERSHIP AGREEMENT

The Group is principally engaged in the operation of private hospitals, provision of rehabilitation and other healthcare services, sales of pharmaceutical products and provision of elderly healthcare services in the PRC. It has been the strategy of the Group to explore new potential investments projects in order to diversify business risk as well as broaden income source of the Group and eventually maximizing Shareholders' values. The Company considers that the Fund's scope covers high value-added health industries which are in line with PRC's development trajectories in the healthcare space and highly relevant to the Group's core business. The Directors consider that, through appropriate market screening of investment projects by the Fund, it will in the long term be a reasonable investment of the Company and may facilitate the Group's entry into the relevant healthcare space and establishing strategic cooperation with relevant players in the market. The Directors (including the independent non-executive Directors) consider that the Partnership Agreement has been entered into after arm's length negotiations between the parties and based on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES TO THE PARTNERSHIP AGREEMENT

The Group and Dongguan Kanghua

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

Dongguan Kanghua is a company established in the PRC with limited liability principally engaged in investment activities in the healthcare industry. Dongguan Kanghua is a wholly-owned subsidiary of the Company.

Beijing Bosong

Beijing Bosong is a company established in the PRC with limited liability principally engaged in private equity investment, fund management and venture capital fund management services. Based on public information available, as at the date of this announcement, Beijing Bosong is a wholly-owned subsidiary of Shanghai Youqing Investment Management Co., Ltd.* (上海祐晴投資管理有限公司), with Mr. Du Qiang (杜強先生) and Mr. Stefan Matzinger (莫林澤先生) being its ultimate beneficial owners.

Manda Property

Manda Property is a company established in the PRC with limited liability principally engaged in property investment and property leasing services. Based on public information available, as at the date of this announcement, Manda Property is wholly and beneficially owned by Ms. Wu Manli (吳曼麗女士).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Beijing Bosong, Manda Property and its ultimate beneficial owners are Independent Third Parties of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the capital commitment by Dongguan Kanghua is more than 5% and less than 25%, the entering into of the Partnership Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Beijing Bosong”	Beijing Bosong Private Equity Fund Management Co., Ltd.* (北京鉞頌私募基金管理有限公司), a company incorporated in the PRC with limited liability
“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
“Dongguan Kanghua”	Dongguan Kanghua Healthcare Industry Investment Fund Co., Ltd* (東莞康華醫療產業投資基金有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Executive Partner”	means the executive partner of the Fund
“Fund”	Guangdong Bosong Kanghua Equity Investment Partnership, L.P.* (廣東鉅頌康華股權投資合夥企業 (有限合夥)), a limited partnership to be established under the laws of the PRC pursuant to the Partnership Agreement
“General Partner”	means any general partner of the Fund
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent and not connected with (within the meaning of the Listing Rules) any directors, supervisors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates.
“Investment”	means the investment via the Fund conducted by Dongguan Kanghua entering into the Partnership Agreement
“Limited Partner”	means a limited partner of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	means the private equity fund manager engaged in accordance with the Partnership Agreement, who is responsible for the investment operation and management of the Fund
“Manda Property”	Dongguan Manda Property Investment Co., Ltd.* (東莞市曼達物業投資有限公司), a company incorporated in the PRC with limited liability
“Partner”	means the General Partner(s) and the Limited Partner(s) from time to time, and a Partner means any one of them

“Partnership Agreement”	means the partnership agreement of the partnership dated 1 December 2021 entered into among Beijing Bosong, Manda Property and Dongguan Kanghua
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 1 December 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 Simon (*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

* *For identification purpose only*