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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)**

**RENEWAL OF ANNUAL CAPS FOR EXISTING CONTINUING  
CONNECTED TRANSACTIONS**

Reference are made to the announcement of the Company dated 19 December 2018 and the Prospectus in relation to, among other things, the continuing connected transactions of the Group under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement.

The Group's transactions with (i) Kanghua Group under the Kanghua Hospital Lease Agreement; and (ii) Tongli Enterprise under the Renkang Hospital Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the renewed annual caps for the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement is, on an annual and aggregated basis, more than 0.1% but less than 5%, while the aggregate rent payable by the Group is expected to be more than HK\$3,000,000, the renewed annual caps for the year ending 31 December 2022 under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement would be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

**INTRODUCTION**

Reference are made to the announcement of the Company dated 19 December 2018 and the Prospectus in relation to, among other things, the continuing connected transactions of the Group under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement.

The parties to each of the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement have agreed on the rent payable by the Group for the year ending 31 December 2022. The purpose of this announcement is to set out details of the rent payable by the Group under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement and the respective annual cap for the year ending 31 December 2022.

## **RENEWAL OF ANNUAL CAP FOR THE KANGHUA HOSPITAL LEASE AGREEMENT**

As disclosed in the Prospectus, Kanghua Hospital leases the land and buildings underlying its operations from Kanghua Group under the Kanghua Hospital Lease Agreement.

The annual rent payable under the Kanghua Hospital Lease Agreement is equal to the product of (i) the actual GFA used by Kanghua Hospital during the year (which shall not be less than 254,896.14 sq.m.); (ii) the monthly rent per sq.m.; and (iii) 12 months.

The table below sets forth details of the historical rent paid/payable by Kanghua Hospital to Kanghua Group and the historical annual caps under the Kanghua Hospital Lease Agreement:

<b>Year</b>	<b>Monthly rent per sq.m. (RMB/sq.m.)</b>	<b>GFA used by Kanghua Hospital (sq.m.)</b>	<b>Approximate annual rent paid/payable (RMB'000)</b>	<b>Annual cap (RMB'000)</b>
Ended 31 December 2016	6.50	254,896.14	19,882	20,000
Ended 31 December 2017	6.96	277,824.64	23,187	24,000
Ended 31 December 2018	7.44	282,985.45	25,271	26,000
Ended 31 December 2019	9.00	311,283.99	33,617	34,000
Ended 31 December 2020	9.63	311,283.99	35,972	36,000
Ending 31 December 2021	10.30	338,687.88	41,878	42,000

Kanghua Hospital and Kanghua Group have agreed on the annual rent payable for the year ending 31 December 2022 on the basis that (i) the parties have agreed the monthly rent per sq.m. for the year ending 31 December 2022 to be RMB9.0/sq.m. (on a concessionary basis); and (ii) the GFA used by Kanghua Hospital will be at 308,205.97 sq.m. for the year ending 31 December 2022. Due to the hardship encountered by Kanghua Hospital amid the COVID-19 pandemic, Kanghua Group has agreed to a rent concession for the year ending 31 December 2022 to demonstrate support and confidence in Kanghua Hospital's operations. The parties will re-visit the circumstances towards the end of 31 December 2022 and in good faith determine whether to adjust the rent payable back to the previous level with a 7% increment each year as previously agreed.

The renewed annual cap for the Kanghua Hospital Lease Agreement for the year ending 31 December 2022 has been determined with reference to the rent payable by Kanghua Hospital to Kanghua Group.

The table below sets forth details of the rent payable by Kanghua Hospital to Kanghua Group for the year ending 31 December 2022 and the renewed annual cap under the Kanghua Hospital Lease Agreement:

<b>Year</b>	<b>Monthly rent per sq.m. (RMB/sq.m.)</b>	<b>GFA used by Kanghua Hospital (sq.m.)</b>	<b>Approximate annual rent paid/payable (RMB'000)</b>	<b>Annual cap (RMB'000)</b>
Ending 31 December 2022	9.00	308,205.97	33,286	33,400

The Directors are satisfied that the terms of the Kanghua Hospital Lease Agreement, in particular the monthly rent per sq.m. for the year ending 31 December 2022, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **RENEWAL OF ANNUAL CAP FOR THE RENKANG HOSPITAL LEASE AGREEMENT**

As disclosed in the Prospectus, Renkang Hospital leases the land and buildings underlying its operations from Tongli Enterprise under the Renkang Hospital Lease Agreement.

The annual rent payable under the Renkang Hospital Lease Agreement is equal to the product of (i) the actual GFA used by Renkang Hospital during the year (which shall not be less than 73,265.62 sq.m.); (ii) the monthly rent per sq.m.; and (iii) 12 months.

The table below sets forth details of the historical rent paid/payable by Renkang Hospital to Tongli Enterprise and the historical annual caps under the Renkang Hospital Lease Agreement:

<b>Year</b>	<b>Monthly rent per sq.m. (RMB/sq.m.)</b>	<b>GFA used by Renkang Hospital (sq.m.)</b>	<b>Approximate annual rent paid/payable (RMB'000)</b>	<b>Annual cap (RMB'000)</b>
Ended 31 December 2016	3.60	73,265.62	3,165	3,200
Ended 31 December 2017	3.85	73,265.62	3,387	3,400
Ended 31 December 2018	4.12	73,265.62	3,624	3,700
Ended 31 December 2019	6.00	77,449.70	5,576	5,600
Ended 31 December 2020	6.42	77,449.70	5,967	6,000
Ending 31 December 2021	6.87	77,449.70	6,384	6,400

Renkang Hospital and Tongli Enterprise have agreed on the annual rent payable for the year ending 31 December 2022 on the basis that (i) the parties have agreed the monthly rent per sq.m. for the year ending 31 December 2022 to be RMB6.0/sq.m. (on a concessionary basis); and (ii) the GFA used by Renkang Hospital will be the same at 77,449.70 sq.m. for the year ending 31 December 2022. Due to the hardship encountered by Renkang Hospital amid the COVID-19 pandemic, Tongli Enterprise has agreed to a rent concession for the year ending 31 December 2022 to demonstrate support and confidence in Renkang Hospital's operations. The parties will re-visit the circumstances towards the end of 31 December 2022 and in good faith determine whether to adjust the rent payable back to the previous level with a 7% increment each year as previously agreed.

The renewed annual cap for the Renkang Hospital Lease Agreement for the year ending 31 December 2022 has been determined with reference to the rent payable by Renkang Hospital to Tongli Enterprise.

The table below sets forth details of the rent payable by Renkang Hospital to Tongli Enterprise for the year ending 31 December 2022 and the corresponding renewed annual cap under the Renkang Hospital Lease Agreement:

<b>Year</b>	<b>Monthly rent per sq.m. (RMB/sq.m.)</b>	<b>GFA used by Renkang Hospital (sq.m.)</b>	<b>Approximate annual rent paid/payable (RMB'000)</b>	<b>Annual cap (RMB'000)</b>
Ended 31 December 2022	6.00	77,449.70	5,576	5,600

The Directors are satisfied that the terms of the Renkang Hospital Lease Agreement, in particular the monthly rent per sq.m. for the year ending 31 December 2022, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group operates Kanghua Hospital and Renkang Hospital in Dongguan, Guangdong province, the PRC. Each of Kanghua Hospital and Renkang Hospital does not own the land and buildings underlying its operations. Therefore, the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement are critical for the uninterrupted and continued operations of Kanghua Hospital and Renkang Hospital, respectively.

The Directors (including the independent non-executive Directors) consider that the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement will be conducted in the ordinary and usual course of business of the Group and the renewed annual cap for each of the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

The Directors consider that the internal control system of the Group is effective to ensure that the transactions contemplated under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole, including the following:

- the relevant internal audit personnel and management of the Group supervise and monitor the terms (including in particular the rent) of Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement and market conditions to ensure that they are on normal commercial terms (or better from the perspective of the Group) and are fair and reasonable; and
- the independent non-executive Directors will review the transactions under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement and the auditors of the Company will also conduct an annual review on the rents paid and compliance with the relevant annual caps.

## **LISTING RULES IMPLICATIONS**

As Kanghua Group holds more than 10% of the total issued share capital of the Company, it is a substantial Shareholder and a connected person under Rule 14.07(1) of the Listing Rules.

As Mr. Wang Junyang, being an executive Director and a controlling Shareholder under the Listing Rules, controls more than 30% of equity interest in Tongli Enterprise, Tongli Enterprise is a connected person under Rule 14.07(4) of the Listing Rules.

Accordingly, the Group's transactions with (i) Kanghua Group under the Kanghua Hospital Lease Agreement; and (ii) Tongli Enterprise under the Renkang Hospital Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the renewed annual caps for the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement is, on an annual and aggregated basis, more than 0.1% but less than 5%, while the aggregate rent payable by the Group is expected to be more than HK\$3,000,000, the renewed annual cap for the year ending 31 December 2022 under each of the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement would be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As (a) Mr. Wang Junyang is interested in Kanghua Group and Tongli Enterprise; (b) Ms. Wang Ai Qin and Mr. Chen Wangzhi are interested in Tongli Enterprise; and (c) Mr. Wang Junyang, Mr. Chen Wangzhi and Ms. Wang Ai Qin are among a group of controlling Shareholders of the Company acting in concert with each other, each of Mr. Wang Junyang, Mr. Chen Wangzhi and Ms. Wang Ai Qin, being an executive Director, is considered to have a material interest in the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement and has abstained from voting on the board resolutions concerning the rent payable

under these lease agreements for the year ending 31 December 2022 and the renewal of the relevant annual caps.

## **IFRS 16 IMPLICATIONS**

Pursuant to IFRS 16, which was adopted by the Group effective from 1 January 2019, the leased assets under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement are recognised by the Group as right-of-use assets (together with the corresponding liabilities) at the end of each reporting period.

The right-of-use assets represent the Group's right to use the underlying leased asset over the lease term and the lease liabilities represent the Group's obligations to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases were initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Kanghua Hospital Lease Agreement and the Renkang Hospital Lease Agreement, using the incremental borrowing rate as the discount rate upon initial recognition. Under IFRS 16, the consolidated statement of comprehensive income of the Group for each of the reporting period, the Group shall recognize (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortized from the lease liability over the lease term. The depreciation charge and interest expenses amortized from the lease liabilities will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred.

The table below sets forth the transactions and balances for the year ending 31 December 2022 that the Group is expected to recognise:

<b>Connected person</b>	<b>Nature of balances/transactions</b>	<b>As at/for the year ending 31 December 2022 RMB'000</b>
Kanghua Group	Right-of-use assets	66,139
	Depreciation of right-of-use assets	22,047
	Lease liabilities	106,014
	Interest expenses on lease liabilities	6,961
	Lease payment	33,286
Tongli Enterprise	Right-of-use assets	12,106
	Depreciation of right-of-use assets	4,036
	Lease liabilities	20,315
	Interest expenses on lease liabilities	1,608
	Lease payment	5,576

**Shareholders and investors should note that the above figures are unaudited and for reference only and may be subject to adjustments.**

## GENERAL

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. Each of Kanghua Group and Tongli Enterprise is a limited liability company established in the PRC and is principally engaged in investment holding.

## DEFINITIONS

“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)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, which include International Accounting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Kangdi Enterprise”	Dongguan Kangdi Enterprise Co., Ltd.* (東莞市康帝實業有限公司), a limited liability company established in the PRC on 25 July 2014 with 50% of its equity interest held by Mr. Wang Zhengren and 50% by Ms. Wang Keying, all of whom are members of the Wang Family, being cousins of Mr. Wang Junyang. Kangdi Enterprise holds a 15% equity interest in Renkang Hospital



“Kanghua Group”	Dongguan Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), a limited liability company established in the PRC on 29 March 2002 and one of the controlling Shareholders holding approximately 59.06% interest in the Company. It is owned as to 97.46% by Mr. Wang Junyang and as to 2.54% by Ms. Wang Aici
“Kanghua Hospital”	Dongguan Kanghua Hospital Co., Ltd.* (東莞康華醫院有限公司), a limited liability company established in the PRC on 15 September 2005 and a wholly-owned subsidiary of the Company
“Kanghua Hospital Lease Agreement”	the lease agreement dated 10 April 2016 entered into between Kanghua Hospital and Kanghua Group, the key terms of which are set out under “Connected Transactions – Non-exempt continuing connected transactions – 1. The Kanghua Hospital Lease Agreement” in the Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Renkang Hospital”	Dongguan Renkang Hospital Co., Ltd.* (東莞仁康醫院有限公司), a limited liability company established in the PRC on 23 August 2005 with 57% of its equity interest being held by the Company, 15% by Kangdi Enterprise, 15% by Ms. Zhang Dandan and 13% by Ms. Wang Aier, respectively
“Renkang Hospital Lease Agreement”	the lease agreement dated 10 April 2016 entered into between Renkang Hospital and Tongli Enterprise, the key terms of which are set out under “Connected Transactions – Non-exempt continuing connected transactions – 2. The Renkang Hospital Lease Agreement” in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Prospectus”	the prospectus of the Company dated 27 October 2016
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“sq.m.”	square metre(s)
“Tongli Enterprise”	Dongguan Tongli Enterprise Co., Ltd.* (東莞市同力實業有限公司), a limited liability company established in the PRC on 23 June 2003 with 43% of its equity interest being held by Ms. Wang Aiqin, 29% by Ms. Wang Aici, 15% by Ms. Zhang Dandan and 13% by Ms. Wang Aier respectively, all of whom are members of the Wang Family, being aunts of Mr. Wang Junyang. Pursuant to a nominee arrangement among the Wang Family, (i) Ms. Wang Aici (an aunt of Mr. Wang Junyang) agreed to hold 16% of her equity interest in Tongli Enterprise on behalf of Mr. Wang Junyang; (ii) Ms. Wang Aiqin (an aunt of Mr. Wang Junyang and the spouse of Mr. Chen Wangzhi) agreed to hold 15% and 6.5% of her equity interest in Tongli Enterprise on behalf of Mr. Wang Junyang and Mr. Chen Wangzhi, respectively; and (iii) Ms. Wang Aiqin agreed to hold 15% of her equity interest in Tongli Enterprise on behalf of Mr. Wang Wencheng
“Wang Family”	the family members of the founder of the Group, the late Mr. Wang Jincheng, including (i) his children; (ii) his siblings; (iii) the spouses of his siblings; and (iv) the children of his siblings
“%”	per cent

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

Hong Kong, 23 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