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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 AND CONNECTED TRANSACTION IN RESPECT OF
THE ACQUISITION OF MINORITY INTEREST IN A SUBSIDIARY
SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement (the “**Announcement**”) of the Company dated 5 May 2023 relating to the Company’s acquisition of 40% in Kangxin Hospital. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to elaborate further on the basis of determination of the Consideration as follows:

- The net asset value is a historical measure that does not capture the future earning potential, growth prospects and other intangible value of Kangxin Hospital, particularly as it is still in the early stages of development. Even though Kangxin Hospital has been operating at a loss, it has demonstrated significant improvement in its operating performance. In 2022, Kangxin Hospital’s revenue reached RMB53.6 million, representing a 41.8% increase compared to 2021. Kangxin Hospital has capacity to continue its growth trajectory in the long term especially with its Phase II medical complex ready to deploy.
- The shareholder’s loans of RMB518.5 million are provided by the Company (through Kanghua Hospital) to Kangxin Hospital as its controlling shareholder to support its operations and development. As Kangxin Hospital is a subsidiary of the Company, the management’s working assumption is that such loans will in the future be capitalised, as and when appropriate. Therefore, the Company excluded such loans to illustrate that Kangxin Hospital would be in a net asset position, which is more reflective of the economic substance of Kangxin Hospital for the purpose of the Acquisition.

- Furthermore, the net asset value of Kangxin Hospital does not reflect the fair value of its assets. As set out in the Announcement, the land and buildings of Kangxin Hospital had a valuation exceeding their carrying value by approximately RMB90.9 million as at 31 December 2022.
- From a commercial perspective, the Company and the Vendor agreed that the net asset value of Kangxin Hospital is not a fair representation of the economic substance of Kangxin Hospital, which would ordinarily need to be determined based on a business valuation by a valuer. After arm's length negotiations, the Vendor agreed to proceed without any business valuation and on the basis that the Consideration would be the Vendor's original investment cost (i.e. the amount of the Vendor's registered capital in Kangxin Hospital).
- On account of the foregoing, the Company considers that the Consideration is fair and reasonable and is in fact more advantageous to the Company. Based on the management's estimation, had the Consideration been determined based on a business valuation on Kangxin Hospital, the Consideration would have been higher than the Vendor's original investment cost in Kangxin Hospital.

The Company would also like to clarify that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the connected relationship arising from the Vendor being a substantial shareholder of a subsidiary of the Company (i.e. Kangxin Hospital), the Vendor and its ultimate beneficial owners are Independent Third Parties.

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

Hong Kong, 24 May 2023

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 Ai Qin

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*