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

SUPPLEMENTAL ANNOUNCEMENT

**DISCLOSEABLE TRANSACTION
DISPOSAL OF REMAINING 45% EQUITY INTEREST
IN KANGXIN HOSPITAL**

Reference is made to the announcement of Guangdong Kanghua Healthcare Group Co., Ltd.* (廣東康華醫療集團股份有限公司) (the “**Company**”) dated 23 March 2026 (the “**Announcement**”) in relation to the disposal of the Company’s remaining 45% equity interest in Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd.* (重慶康華眾聯心血管病醫院有限公司) (“**Kangxin Hospital**”) to Beijing Fazheng Industrial Group Co., Ltd.* (北京法政實業集團有限公司) (the “**Purchaser**”) (the “**Disposal**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board wishes to provide the following supplemental information in relation to the Disposal.

1. Operational Liabilities and Loans of Kangxin Hospital owed to the Company and the Property Company

(a) Operational Liabilities of Kangxin Hospital

Set out below are the actual (as at 28 February 2026) and estimated (as at 31 March 2026) operational liabilities of Kangxin Hospital:

	As at 28 February 2026 RMB'000 (unaudited)	As at 31 March 2026 RMB'000 (estimated)
Total operational liabilities	35,191	35,200
The Company’s proportionate share (45%)	15,836	15,840

The operational liabilities of Kangxin Hospital primarily comprise trade payables for pharmaceuticals, medical consumables and consumables (representing approximately 83.8% of the total operational liabilities), salary payables for professional and administrative staff (representing approximately 8.6% of the total operational liabilities), and other payables relating to ancillary operations such as hospital canteen (representing approximately 7.6% of the total operational liabilities). Kangxin Hospital incurs such payables in the ordinary course of business so no material change is expected from 28 February 2026 to 31 March 2026.

(b) Loans owed by Kangxin Hospital to the Company and the Property Company

Set out below are the repayment obligations of Kangxin Hospital in respect of all loans it owed to the Company and the Property Company as at the dates indicated:

	As at 28 February 2026 RMB'000 (unaudited)	As at 31 March 2026 RMB'000 (estimated)
Loans owed to the Company and the Property Company	<u>85,319</u>	<u>85,319</u>

The Company does not expect further advance of loans to Kangxin Hospital from 28 February 2026 to 31 March 2026.

2. Reasons for the Waiver of Repayment Obligations

The Company and the Property Company have agreed to waive the repayment obligations of Kangxin Hospital in respect of all loans provided by them to Kangxin Hospital as at 31 March 2026 (the “**Waiver of Repayment Obligations**”). The detailed reasons for the Waiver of Repayment Obligations are set out below.

Since its acquisition by the Company in 2018, Kangxin Hospital has faced substantial financial challenges and has consistently recorded significant losses. Based on the latest unaudited management accounts as at 31 December 2025, Kangxin Hospital has net liabilities of RMB108.6 million and an accumulated deficit of RMB172.6 million (as prepared in accordance with IFRS).

Over the years, Kangxin Hospital has relied on shareholders’ funding for financial support, which has adversely impacted the Company’s cash flow. The Purchaser has indicated that, given Kangxin Hospital’s financial position and historical performance, it would only consider the acquisition on the condition that the relevant loans are waived.

In light of the foregoing, the Board has considered the following in determining to agree to the Waiver of Repayment Obligations:

- (a) Should the Company and Silver Mountain withdraw their financial support, the only viable outcome would be the closure of Kangxin Hospital, which would give rise to additional costs in connection with staff layoffs and the settlement of outstanding operational liabilities.
- (b) Given the current financial position and performance of Kangxin Hospital, the prospect of the Company recovering any funds from the hospital is minimal.
- (c) The Purchaser is willing to acquire Kangxin Hospital at a price based on 1.0 times its total revenue, which exceeds the net assets position of Kangxin Hospital of RMB4.6 million as at 31 December 2025 (after excluding all the shareholders' loans and lease-related assets and liabilities). Such net asset position was assessed based on the net liabilities position of Kangxin Hospital of approximately RMB108.6 million (per its unaudited management accounts prepared in accordance with IFRS), adjusted by adding back shareholders' loans of approximately RMB98.7 million, deducting lease-related assets of approximately RMB123.4 million, and adding back lease-related liabilities of approximately RMB137.9 million, resulting in a net asset position of approximately RMB4.6 million. The shareholders' loans, which have been advanced by the Company and the Property Company to Kangxin Hospital over the years to fund its operations, are excluded on the basis that they represent, in substance, accumulated capital contributions by the Group into Kangxin Hospital rather than commercial third-party obligations. The lease-related assets and liabilities, which arise solely as a result of the accounting treatment required under IFRS 16, are excluded on the basis that they do not represent cash obligations that will be assumed by the Purchaser, given that the Purchaser intends to enter into its own new lease arrangements for the hospital premises following Completion.

3. The Board's Assessment on Fairness and Reasonableness

The Board has undertaken a careful assessment of the terms and Consideration of the Disposal (including the Waiver of Repayment Obligations) as a whole, and is of the view that the Disposal is fair, reasonable, and in the best interests of the Company and its Shareholders as a whole, for the following reasons:

(i) Financial performance of Kangxin Hospital

Kangxin Hospital has recorded net losses after taxation of approximately RMB99.2 million, RMB90.2 million and RMB80.4 million for each of the three years ended 31 December 2023, 2024 and 2025, respectively, and had net liabilities of approximately RMB108.6 million as at 31 December 2025. Whilst the losses have narrowed modestly over the period, they remain significant in absolute terms and management does not foresee Kangxin Hospital will be able to achieve profitability in the short to medium term. The persistent loss-making position of Kangxin Hospital renders the Company's continued retention of the equity interest and long-term financial support unsustainable.

(ii) *Minimal prospect of loan recovery*

Given the financial position and historical performance of Kangxin Hospital, including its net liabilities of approximately RMB108.6 million and accumulated deficit of approximately RMB172.6 million as at 31 December 2025, management considers that the outstanding shareholders' loans of approximately RMB85.3 million are effectively characterised as accumulated capital contributions made to sustain the hospital's operations over the years, rather than commercial obligations carrying any realistic prospect of recovery. The Waiver of Repayment Obligations is therefore a reflection of economic reality in the context of the Disposal, which is a commercially reasonable step to limit further losses to the Group, rather than a material waiver of recoverable economic value.

(iii) *Viability of alternatives*

In the absence of continued financial support from the Company and Silver Mountain, the only viable alternative would be the closure of Kangxin Hospital, which would give rise to significant additional costs including staff layoffs and associated severance obligations, regulatory costs in connection with the surrender of the hospital's operating licences and fulfilment of applicable healthcare regulatory requirements, as well as other unforeseen costs and contingent liabilities arising from the wind-down of a healthcare operation. A closure could also subject the Group to adverse reputational consequences, given the sensitive nature of the healthcare sector and the potential impact on patients, staff and other stakeholders. The Disposal enables the Company to realise proceeds and exit its investment on a going-concern basis, thereby avoiding such costs and reputational risks, and is therefore in the interests of the Company and its Shareholders as a whole.

(iv) *Reasonableness of the Consideration*

In assessing the fairness and reasonableness of the Consideration, the Directors have taken into account that:

- (a) the consideration for the Previous Disposal was determined at approximately 1.5 times the revenue of Kangxin Hospital for the year ended 31 December 2021;
- (b) since the Previous Disposal, the financial and operational performance of Kangxin Hospital has continued to deteriorate; and

- (c) in light of the increasingly competitive healthcare market in the Chongqing region, management does not expect the financial performance of Kangxin Hospital to improve meaningfully in the short to medium term. Having considered the foregoing, the Directors are of the view that the valuation based on approximately 1.0 times the revenue of Kangxin Hospital for the year ended 31 December 2025 is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(v) ***Benefits of the Disposal***

The Disposal will enable the Group to

- (a) exit a persistently loss-making investment;
- (b) recover proceeds for deployment towards the Group's core business operations and general working capital; and
- (c) optimise the Group's overall resource allocation, thereby allowing the Board and management to focus on enhancing the operational efficiency and long-term value of the Group's core healthcare operations.

In light of the foregoing, and having considered the financial position of Kangxin Hospital, the terms of the Disposal (including the Waiver of Repayment Obligations) and the alternatives available to the Company, the Board is of the view that the Disposal is on normal commercial terms, fair and reasonable, and in the best interests of the Company and its Shareholders as a whole.

Clarification of financial figures of Kangxin Hospital in the Announcement

The Board wishes to draw Shareholders' attention to an error in the financial summary table set out in the Announcement. The figure of RMB40,414,000 presented under the column headed "As of 31 December 2024" in the row captioned "Net liabilities" should instead read "Net assets" of RMB40,414,000. Shareholders are also reminded that the figures for the years ended 31 December 2023 and 31 December 2024 were prepared prior to the completion of the Previous Disposal, as disclosed in the announcement of the Company dated 9 January 2025, and accordingly reflect the financial position of Kangxin Hospital before the demerger arrangements contemplated thereunder took effect.

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

Hong Kong, 16 April 2026

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

Ms. Lam Shiu Ling Cecilia

Mr. Chan Sing Nun

Non-executive Director:

Mr. Jiang Xiwen

* *English translated name for identification purpose only.*