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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 IN RELATION TO
ACQUISITION OF LAND USE RIGHTS**

ACQUISITION OF LAND USE RIGHT

The Board is pleased to announce that the Company has succeeded in bidding for the land use rights of the Land Parcel at a consideration of RMB82,590,000 through an open listing-for-sale organized by the Dongguan Public Resources Exchange Centre (as lister) under authorization of the Dongguan Natural Resources Bureau (as grantor).

On 23 July 2020, the Company has entered into an Auction Result Confirmation with the Dongguan Public Resources Exchange Centre to confirm the successful bid for the land use rights in respect of the Land Parcel and expects to enter into the State-owned Construction Land Use Rights Grant Contract with the Dongguan Natural Resources Bureau on or around 28 July 2020 to finalise the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements, but is exempted from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

INTRODUCTION

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INFORMATION RELATING TO THE LAND PARCEL

Location:	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嶺村民小組 (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))
Approximate site area:	72,256.49 square metres
Term:	50 years
Planning and construction requirements:	(i) construction shall take place in accordance with the requirements of the Construction Land Use Planning Conditions No. 2019-22-1012* (規字第2019-22-1012號《建設用地規劃條件》) (ii) the duration for development and construction is three years, and the construction project shall commence before 21 August 2021 and be completed before 21 August 2024
Key usage restrictions:	(i) the Land Parcel shall be for hospital use (ii) floor area ratio (容積率) shall be no more than 1.5 (iii) building density (建築密度) shall be no more than 30% (iv) building height limit (最大高度) shall be no more than 45 metres (v) green space ratio (綠地率) shall be no less than 35%

INFORMATION ABOUT THE PARTIES

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

The counterparty in the Acquisition is the Dongguan Natural Resources Bureau, which is a PRC Governmental Body and the grantor of the Land Parcel. It organized the listing-for-sale in respect of the Land Parcel through the Dongguan Public Resources Exchange Centre. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Dongguan Natural Resources Bureau, the Dongguan Public Resources Exchange Centre and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

CONSIDERATION

The total consideration for the Acquisition is RMB82,590,000, which was the minimum bid price listed on the Dongguan Public Resources Exchange Centre.

As at the date of this announcement, the Group has already paid to the Dongguan Public Resources Exchange Centre an amount of RMB40,000,000 as security deposit, which will form part of the payment of the total consideration of the Land Parcel. It is expected that the remaining balance of the total consideration shall be paid within 30 days after the signing of the State-owned Construction Land Use Rights Grant Contract, which is expected to be entered into on or around 28 July 2020.

As the Group succeeded in bidding for the Land Parcel through public bidding process in the listing-for-sale, the consideration was determined by the outcome of such process in compliance with the relevant PRC laws and regulations. The Directors confirm that the terms of the Acquisition (including the consideration, which was the minimum bid price listed on the Dongguan Public Resources Exchange Centre) are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account the reasons and benefits of the Acquisition as set out below.

The Group expects to satisfy the remaining balance of the total consideration by cash, primarily from internal resources, which may include a portion of the IPO Net Proceeds that was allocated for the purpose of expanding the Group's healthcare operations in the PRC. The Directors are of the view that, to the extent any of such IPO Net Proceeds will be utilised to satisfy the total consideration, such utilisation is consistent with the expected use of the IPO Net Proceeds as disclosed in the Prospectus.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Population aging in Dongguan City has continued to intensify and there has been a significant shortage of nursery institutions for the elderly. As of the end of 2017, Dongguan City had a usual resident population of 8.43 million and a household registered population of 2.13 million, of which 0.32 million were over 60 years old, and the aging level was 14.9%. According to statistics, while there are currently more than 17,000 household-registered elderly people with disabilities in Dongguan City, only less than 1,000 elderly people are able to receive integrated medical care services. This signifies that there is a high demand for integrated medical care institutions in Dongguan City.

The Group will undertake an integrated healthcare project on the Land Parcel and develop, among other things, comprehensive medical facilities with a particular focus on geriatric patients and rehabilitation. The Group may seek to introduce healthcare experts, medical technologies, best practices, management and service concepts and high-end integrated medical care services and products from other parts of the PRC and/or overseas with a view to offering best-in-class geriatric and rehabilitation services in Dongguan City. The Directors expect that such development will further enhance the Group's capability in providing high-end integrated medical care to meet the increasing demand for quality geriatric and rehabilitation services in Guangdong Province (and in particular Dongguan City).

In view of the accelerating aging population problem in the PRC that leads to the high development potential of the healthcare and elderly care industry, the Directors consider that the Acquisition is in line with the Company's expansion and business development strategy, in particular, the strategy of developing a community for the elderly, which includes hospitals and medical centres for the provision of various specialized treatment and high-end healthcare services. By adopting such strategy, the Group's presence and influence in Dongguan City as well as the Guangdong Province can be further enhanced. The Company's expansion and business development strategy is more particularly set out in the Prospectus.

Having regard to the above matters, the Directors consider that the Acquisition is carried out on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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The Acquisition of the land use right of the Land Parcel is still subject to, among others, the entering into of the State-owned Construction Land Use Rights Grant Contract. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the land use rights of the Land Parcel by way of public bidding process in the related listing-for-sale organized by the Dongguan Public Resources Exchange Centre
“Auction Result Confirmation”	the auction result confirmation (成交結果確認書) dated 23 July 2020 and entered into between the Company and Dongguan Public Resources Exchange Centre to confirm the successful bidding for the land use rights in respect of the Land Parcel
“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 Natural Resources Bureau”	the Dongguan Natural Resources Bureau* (東莞市自然資源局) of the PRC
“Dongguan Public Resources Exchange Centre”	the Dongguan Public Resources Exchange Centre* (東莞市公共資源交易中心) of the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	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

“IPO Net Proceeds”	the net proceeds received by the Company from the initial public offering of its H Shares on the Stock Exchange on 8 November 2016, the intended use of which was disclosed in the Prospectus
“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嶺村民小組 (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
“State-owned Construction Land Use Rights Grant Contract”	the state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) to be entered into between the Purchaser and the Dongguan Natural Resources Bureau in respect of the Land Parcel
“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 Macao Special Administrative Region of the PRC and Taiwan
“PRC Governmental Body”	has the meaning ascribed to it in the Listing Rules
“Prospectus”	the prospectus of the Company dated 27 October 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“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, 23 July 2020

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 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*