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Human Health Holdings Limited

盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1419)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO SUBSCRIPTION OF INTEREST IN A LIMITED PARTNERSHIP

Reference is made to the announcement (the “**Announcement**”) of Human Health Holdings Limited (the “**Company**”) dated 29 May 2019 in relation to the Subscription of Partnership Interests in the Limited Partnership. Unless otherwise stated, capitalized terms and expressions used herein shall have the same meanings as those defined in the Announcement.

The Company wishes to provide the shareholders of the Company (the “**Shareholders**”) and the public with the following additional information in relation to the Subscription.

THE SUBSCRIPTION

Structure of the Limited Partnership

Pursuant to the Limited Partnership Agreement, upon closing of the Subscription, the structure of the Limited Partnership is set forth below:

Name of Limited Partner	Capital Contribution (RMB)	Partnership Interests
Actwise	30,000,000	8.8%
BetterJoy Limited Partnership (“ BetterJoy ”)	300,000,000	87.98%
Chan Kin Ping (“ Mr. Chan ”)	10,000,000	2.93%
Sat Chui Wan (“ Dr. Sat ”)	1,000,000	0.29%
Total	341,000,000	100%

The capital commitment of each of the Limited Partners in the Limited Partnership, which was in turn invested in the New Journey Hospital Group, has been calculated based on the same

valuation of New Journey Hospital Group. As at the date of this announcement, all Limited Partners had made their respective capital contributions into the Limited Partnership in full.

In addition, in accordance with the Limited Partnership Agreement, the Initial Limited Partner, Mr. Lin Yang Lin (“**Mr. Lin**”) has agreed to withdraw from the Limited Partnership and cease to be a partner in the Limited Partnership conditional upon the first additional Limited Partner being admitted. Therefore, as at the date of this Announcement, the Initial Limited Partner has ceased to be a limited partner of the Limited Partnership and has no role in the Limited Partnership other than as a key management of the General Partner.

As at the date of the Subscription Agreement, the Limited Partnership did not have any assets and liabilities. As at the date of this announcement, the acquisition of 11.37% of the existing total issued shares of New Journey Hospital Group by the Limited Partnership has not been completed, and the assets of the Limited Partnership are the capital commitment of all Limited Partners (with management fees deducted), and other than the ongoing administrative expenses of the Limited Partnership, the Limited Partnership has no major outstanding liabilities. The Limited Partnership will not obtain control over New Journey Hospital Group upon completion of the above acquisition. According to the information provided by the General Partner, the acquisition of 11.37% of the existing total issued shares of New Journey Hospital Group by the Limited Partnership is expected to complete by end of July 2019 and New Journey Hospital Group is expected to allot and issue shares in or around end of July 2019 to additional investors, which are independent from the Company and its connected persons, and the Limited Partnership's shareholding in New Journey Hospital Group will decrease to approximately 8.12% on a fully diluted basis.

In addition, save for the Subscription Agreement, Limited Partnership Agreement and the Side Letter and the potential business cooperation between the hospitals in the PRC and the Company proposed by Mr. Lin, the General Partner and the Initial Limited Partner have no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the Company with respect to the Subscription. The General Partner and the Initial Limited Partner also have no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the connected persons of the Company (including Mr. Chan and Dr. Sat) with respect to the Subscription. The Subscription and the subscriptions of interests in the Limited Partnership by each of Mr. Chan and Dr. Sat are not inter-conditional and are independent from each other.

The investment in the Limited Partnership will be recorded as financial assets at fair value through other comprehensive income in the financial statements of the Group and valuation will be conducted by independent valuer on the fair value of the Partnership Interests at the end of each financial reporting period.

Means of monitoring the performance of the Limited Partnership

According to the Side Letter, Actwise as a Limited Partner is entitled to further information rights (including obtaining the audited accounts and the unaudited quarterly management accounts, quarterly reports and shareholding information of New Journey Hospital Group) and right of inspection of books and records of New Journey Hospital Group. Hence, the Company would be able to observe and keep track of the performance of the Limited Partnership, primarily by reviewing financial information of New Journey Hospital Group.

ADDITIONAL INFORMATION OF THE GENERAL PARTNER AND NEW JOURNEY HOSPITAL GROUP

The General Partner

The General Partner is a company incorporated in the British Virgin Islands with limited liability in December 2015.

As at the date of the Subscription Agreement, the sole director of the General Partner is Mr. Lin, and he is the key management of the General Partner. Mr. Lin has more than 13 years' of experience in investment management. Mr. Lin was previously the chief executive officer of Peking University Healthcare Fund (北大醫療產業基金), an investment fund of a reputable medical group in the PRC. Before managing such investment fund, he served in The Hongkong and Shanghai Banking Corporation Limited and the Australia and New Zealand Banking Group Limited, where he was responsible for financing projects for cross border mergers and acquisitions. Mr. Lin is experienced in the PRC medical system and has a solid track record of establishing and operating hospitals. Since March 2015, he has acted as the chief executive officer and director of New Journey Hospital Group.

New Journey Hospital Group

New Journey Hospital Group is a holding company of an integrated hospital group in the PRC which primarily engages in the operation of hospitals, primary medical care, internet medical care services, cross border medical care services, elderly care services, supply chain centres and radiotherapy services. Four of the hospitals controlled by the New Journey Hospital Group had over 45 years of operation history. As at 31 December 2018, New Journey Hospital Group and its subsidiaries controlled five hospitals in the PRC, which offers approximately 6,000 hospital beds.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUBSCRIPTION

In considering the Subscription, the Company performed due diligence work prior to entering into the Subscription Agreement, including (i) perusing the corporate documents of the Limited Partnership and the General Partner; (ii) reviewing and commenting on the Subscription Agreement and other documents relating to the Subscription; (iii) perusing the legal and financial due diligence reports in relation to entities under the New Journey Hospital Group in the PRC; and (iv) perusing the audited financial statements of New Journey Hospital Group for the year ended 31 December 2016, 31 December 2017 and 31 December 2018.

In addition, the Company has considered the terms of the subscription in limited partnerships, particularly on the rate of management fee and distribution mechanism, with comparable transactions of eight companies listed on the Stock Exchange during the period from April 2018 to April 2019 which constituted discloseable transactions to those listed companies (the "**Comparable Investments**"). The rate of management fees of the Comparable Investments ranged from 0.5% to 2% per annum of the investor's capital commitment in the limited partnership, therefore, the rate of management fee of the Limited Partnership, being 2% per annum of the capital contribution of each Limited Partner is within the range of the rate of management fees of the Comparable Investments. In addition, the distribution mechanism of Limited Partnership is substantially the same as the Comparable Investments. Based on the

above, the Company considered that the terms of the Subscription are generally in line with the terms of similar investments in the market. After conducting the due diligence work and considering the terms of the similar investments in the market, the Board is of the view that the Subscription in the Limited Partnership is a viable investment for the Group.

During the negotiations with the General Partner of the Subscription, the General Partner only invited Actwise as a Limited Partner (i.e. a passive investor) and did not offer the opportunity on direct investment in the New Journey Hospital Group. The Company was given to understand that the General Partner intended to invest in New Journey Hospital Group by way of a limited partnership for better management of the investments and the General Partner and the shareholders of New Journey Hospital Group did not intend to introduce investors as minority shareholders of New Journey Hospital Group. The Company considered that investment in the Limited Partnership is a viable option for the Company based on the following factors (in addition to the factors disclosed in the Announcement):

- (i) the Group's investment in the New Journey Hospital Group was relatively small under the Subscription such that the effective shareholding interests attributable to Actwise in New Journey Hospital Group would only be approximately 1.00% of its existing issued share capital immediately after the Limited Partnership acquires 11.37% shareholding in New Journey Hospital Group;
- (ii) such size of investment did not justify undertaking the procedures to obtain the government approval in the PRC for direct investments in the PRC hospitals under the New Journey Hospital Group in terms of the time and costs involved; and
- (iii) Actwise intended to be a passive investor in the investment in New Journey Hospital Group leveraging on the experience and expertise of key management of the General Partner, Mr. Lin, in investment management.

In view of Mr. Chan and Dr. Sat being Limited Partners of the Limited Partnership, who had abstained in the resolutions of the Board meeting approving the Subscription, the Board considered that the Subscription was conducted largely on the same terms as those for the subscriptions of Partnership Interests in the Limited Partnership by other Limited Partners based on the following reasons:

- (i) although the capital commitment of each of the Limited Partners are different, the terms of the subscription agreements entered into by all Limited Partners are of the same standard form (except some protective clauses inserted in favour of Actwise) and the attributable interests of all Limited Partners in New Journey Hospital Group is calculated based on the same valuation of the New Journey Hospital Group; and
- (ii) the rights and obligations of the Limited Partnership Agreement are substantially the same for all Limited Partners.

In addition, after considering those factors disclosed in the Announcement and the following:

- (i) the General Partner had provided an undertaking to Actwise in the Side Letter that it will limit the time period within which the other Limited Partners can exercise their pre-emptive rights to 14 days so that Actwise may sell to an interested third party in a timely manner if the other Limited Partners do not exercise their pre-emptive rights

within such time period, which is more favourable than the other Limited Partner (other than Mr. Chan and Dr. Sat);

- (ii) despite certain rights have been granted to Mr. Chan and Dr. Sat (who are individual investors of the Limited Partnership), the Board has assessed the background against which such rights were granted under special circumstances which are different from that of Actwise in the Subscription and the risk profile was different from that of Actwise; and
- (iii) the Group may have future cooperation opportunities with the hospitals under the New Journey Hospital Group in the PRC proposed by Mr. Lin,

the Board concluded that the Subscription presents a good investment opportunity for the Group and is in the best interest of the Company and its Shareholders as a whole.

By Order of the Board
Human Health Holdings Limited
Chan Kin Ping
Chairman

Hong Kong, 9 July 2019

As at the date of this announcement, the Board comprises Mr. Chan Kin Ping, JP (also as Chief Executive Officer), Dr. Pang Lai Sheung, Dr. Sat Chui Wan and Mr. Poon Chun Pong as executive Directors and Dr. Lui Sun Wing, Mr. Chan Yue Kwong Michael and Mr. Sin Kar Tim as independent non-executive Directors.