

【For Immediate Release】

22 March 2017



## Guangdong Kanghua Healthcare Co. Ltd.

廣東康華醫療股份有限公司

(Stock code: 3689.HK)

### Announces 2016 Annual Results

Gross profit Increased by 24.0% to RMB296.9 Million  
Adjusted Net Profit Surged by 26.5% yoy to RMB152.0 Million

#### Financial Highlights

RMB million	For the year ended 31 December		
	2015	2016	Change
Revenue	1,063.7	1,240.4	+16.6%
Gross profit	239.4	296.9	+24.0%
Profit for the year	119.0	145.7	+22.5%
Profit attributable to owners of the Company	118.8	141.3	+18.9%
Adjusted net profit* attributable to owners of the Company	120.1	152.0	+26.5%
Earnings per share (RMB cents)	47.5	53.8	+13.3%
Gross profit margin	22.5%	23.9%	+1.4p.p.
Net profit margin for the year	11.2%	11.7%	+0.5p.p.
Net profit margin attributable to owners of the Company	11.2%	11.4%	+0.2p.p.
Adjusted net profit margin* attributable to owners of the Company	11.3%	12.3%	+1.0p.p.
Final dividend (RMB cents)	-	14	NA
Payout ratio	-	31.1%	NA

\*Adjusted net profit: excluding one-off listing expenses



(Hong Kong – 22 March 2017) **Guangdong Kanghua Healthcare Co., Ltd.** (“Kanghua Healthcare” or the “Company”, together with its subsidiaries, the “Group”, stock code: 3689.HK) is pleased to announce the annual results for the year ended 31 December 2016 (the “reporting period”).

2016 marked a fruitful year to Kanghua Healthcare. Contributing by the meaningful increments in total number of inpatient and outpatient visits, the overall average spending per inpatient and outpatient visit, as well as the total number of surgical operations, the Group has recorded a 16.6% year-on-year (“yoy”) growth in revenue, reaching RMB1,240.4 million for the reporting period (2015: RMB1,063.7 million). The enhanced overall bed utilisation rate and efficiency of clinical processes drove the overall gross profit increase from RMB239.4 million in 2015 to RMB296.9 million in the reporting period, rose by 24.0% yoy. Profit for the year increased by 22.5% to RMB145.7 million (2015: RMB119.0 million) and profit for the year attributable to owners of the Company grew by 18.9% to RMB141.3 million (2015: RMB118.8 million). With the exclusion of the one-off listing expenses, adjusted net profit\* recorded an upturn of 26.5% to RMB152.0 million (2015: RMB120.1 million). Basic earnings per share increased by 13.3% to RMB53.8 cents (2015: RMB47.5 cents).

The Board recommended the distribution of a final dividend of RMB14 cents per share for the reporting period, representing a payout ratio of 31.1%.

### **Business overview**

As a leading private for-profit general hospital operator in the PRC, Kanghua Healthcare operates two general hospitals in Dongguan, namely Kanghua Hospital and Renkang Hospital, and manages a specialty hospital in cardiovascular diseases in Chongqing, Chongqing Kanghua Zhonglian Cardiovascular Hospital (“Zhonglian Cardiovascular Hospital”). According to a market research report conducted by an independent research organisation, Kanghua Hospital is the largest private for-profit general hospital in the PRC, in terms of the number of registered beds as at 31 December 2015. Meanwhile, Kanghua Hospital is also the first private for-profit general hospital in the PRC to attain a Grade A Class III rating under the National Health and Family Planning Commission classification system, the highest rating attainable by hospitals in the PRC.



### **Differentiated offerings of high-end VIP special services – high profitability**

To differentiate Kanghua Healthcare from its competitions, the Group set up high-end VIP special services in Kanghua Hospital which offers a broad range of higher quality and customised services to meet the diverse needs of the increasingly affluent and sophisticated population. The Group's special services consist of VIP healthcare services, reproductive medicine, plastic and aesthetic surgery and laser treatment. In 2016, revenue derived from special services amounted to RMB117.1 million (2015: RMB81.8 million), representing a significant yoy increase of 43.1%. Meanwhile, the average spending per inpatient visit of VIP healthcare services surged by 100.6% yoy to RMB20,776.8 (2015: RMB10,359.7), primarily attributable to the more premium and comprehensive services available at Huaxin Building, including comprehensive general surgery and paediatrics services dedicated to VIP patients.

### **First managing hospital in Chongqing – extending geographical presence and revenue source**

In June 2016, the Group entered into a management agreement with Zhonglian Cardiovascular Hospital. It represents the Group's first managed hospital and its first presence outside of Guangdong Province. Zhonglian Cardiovascular Hospital is positioned as a regional integrated institution providing high level of cardiovascular healthcare services to patients from Chongqing and neighbouring provinces and regions. Zhonglian Cardiovascular Hospital commenced operation in March 2017. While Chongqing was one of the first cities in PRC to have entered into an ageing society with a higher senior population ratio than average level in PRC, this created a wider prevalence of cardiovascular diseases. And thus, the Group believes Zhonglian Cardiovascular Hospital will be able to capture the opportunities brought by rising demand for cardiovascular healthcare services.

### **Prospects**

The healthcare services industry in the PRC is expected to maintain a rapid growth. The PRC is now facing issues of accelerating aging population and rising prevalence of chronic, common and life-style related diseases, but public hospitals are unable to catch up with the rapid growth in demand for healthcare services. Private hospitals are playing an increasingly important role to fill the gap of unmet demand. At the same time, more upcoming favourable government policies under the healthcare reform, multi-site doctor practice and rising demand for high-end patient-centric



healthcare services further strengthen private hospitals' capacity in competition with public hospitals. Hence, it is expected that private hospitals will remain one of the fastest growing sectors in the PRC healthcare services industry in the foreseeable future, and the Group is well positioned to benefit from the unprecedented opportunities within by riding on its extensive industrial experience, strong brand equity and track record in achieving eminent results.

Facing the promising industry prospect, **Mr. Wang Junyang, the Chairman of Kanghua Healthcare**, stated, "Coming to the 10th anniversary of Kanghua Healthcare, we are delighted that the Group successfully listed on the Stock Exchange in November 2016, accomplished outstanding results in the first reporting year, and for the first time, adapted its business model outside Guangdong Province by engaging into arrangement to manage a third-party hospital, Zhonglian Cardiovascular Hospital. All of these achievements made in 2016 has opened a brand new chapter to Kanghua Healthcare's history. Looking into 2017, we will primarily focus on enhancing the Group's overall competitiveness in its operating businesses, by strengthening its medical capability in treating critical and acute medical conditions, whereas particularly focus on ramping up five major disciplines, which are the cardiovascular disciplines, the obstetrics & gynaecology disciplines, the orthopedics disciplines, the neurology disciplines and the oncology disciplines. With a view to increasing industry influence, the Group will also put genuine effort on reinforcing its research capability, including initiating the project of developing a pharmaceutical clinical trial center and further incentivizing its clinical staff to engage in research and publish literature."

**Mr. Wang** continued, "Having solid foothold in Dongguan, we will also keep looking for strategic expansion on our business dimensions and geographical footprint via entering into management arrangements with third-party hospitals and selective mergers and acquisitions of hospitals. At the moment, we will initially focus on exploring opportunities in regions where healthcare resources are scarce and demand for quality healthcare services is unmet. In particular, we intend to target on small and medium sized hospitals with a view to developing them into general hospitals with deep specialisations in specific disciplines, catering specific needs of the local population. With our highly developed, standardised, and robust hospital management and clinical governance structure, we believe we will be able to replicate our success in Kanghua Hospital to other hospitals."

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### **About Guangdong Kanghua Healthcare Co. Ltd.**

Guangdong Kanghua Healthcare Co. Ltd. is a leading private for-profit general hospital operator in the PRC. Currently, Kanghua Healthcare operates two general hospitals in Dongguan, Kanghua Hospital and Renkang Hospital. In June 2016, Kanghua Healthcare entered into a 10-year management agreement with Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd., successfully made its first presence outside Guangdong Province. The Group possesses a strong medical healthcare team to offer a variety of high quality services. As at 31 December 2016, number of doctor increased by 97 to 694.

According to a market research report conducted by an independent research organisation, Kanghua Hospital is the largest private for-profit general hospital in the PRC, in terms of the number of registered beds as at 31 December 2015. Kanghua Hospital is also the first private for-profit general hospital in the PRC to attain a Grade A Class III rating, the highest rating attainable by hospitals in the PRC.

This press release is issued by DLK Advisory Limited on behalf of **Guangdong Kanghua Healthcare Co. Ltd.**

For enquiries, please contact:



**DLK Advisory**

Michelle Shi ([michelleshi@dlkadvisory.com](mailto:michelleshi@dlkadvisory.com))

Skye Shum ([skyeslum@dlkadvisory.com](mailto:skyeslum@dlkadvisory.com))

Victoria Chow ([victoriachow@dlkadvisory.com](mailto:victoriachow@dlkadvisory.com))

Tel: +852 2857 7101

Fax: +852 2857 7103