



【For Immediate Release】

15 March 2018



Guangdong Kanghua Healthcare Co. Ltd.

廣東康華醫療股份有限公司

(Stock code: 3689.HK)

Announces 2017 Annual Results

Revenue Increased by 12.0% to RMB 1,389.2million

Gross Profit Increased by 11.5% to RMB 330.9million

Final Dividend of RMB 16 cents; Payout Ratio Reached 34.2%

Financial Highlights

RMB million	For the year ended at 31 December		
	2017	2016	Change
Revenue	1,389.2	1,240.4	+12.0%
Gross profit	330.9	296.9	+11.5%
Profit for the year	161.1	145.7	+10.6%
Profit attributable to owners of the Company	156.6	141.3	+10.8%
Weighted average number of ordinary shares	334,394,000	262,426,814	+27.4%
Earning per share (RMB cents)	46.8	53.8	-13.0%
Gross profit margin	23.8%	23.9%	-0.1 p.p.
Net profit margin for the year	11.6%	11.7%	-0.1 p.p.
Net profit margin attributable to owners of the Company	11.3%	11.4%	-0.1 p.p.
Final dividend (RMB cents)	16	14	+14.3%
Payout ratio	34.2%	33.1%	+1.1 p.p.



(Hong Kong – 15 March 2018) **Guangdong Kanghua Healthcare Co., Ltd.** (“Kanghua Healthcare” or the “Company”, together with its subsidiaries, the “Group”, stock code: 3689.HK) is pleased to announce its annual results for the year ended 31 December 2017 (the “Reporting Period”).

Results

Kanghua Healthcare continued to deliver promising operating results in the Reporting Period. Contributed by a steady increase in total number of inpatient and outpatient visits, overall average spending per inpatient and outpatient visit, as well as total number of surgical operations of the Group’s hospitals, the Group recorded a 12.0% year-on-year (“yoy”) growth in revenue, reaching RMB1,389.2 million for the Reporting Period (2016: RMB1,240.4 million). The overall gross profit rose from RMB296.9 million in 2016 to RMB330.9 million, representing a yoy increase of 11.5%, while gross profit margin has slightly decreased 0.1 p.p. to 23.8%. Profit for the year increased by 10.6% to RMB161.1 million (2016: RMB145.7 million) and profit for the year attributable to owners of the Company grew by 10.8% to RMB156.6 million (2016: RMB141.3 million). Basic earnings per share decreased by 13.0% to RMB46.8 cents (2016: RMB53.8 cents), as the weighted average number of ordinary shares increased by 27.4% from 262,426,814 shares in 2016, to 334,394,000 shares in 2017.

The Board recommended the distribution of a final dividend of RMB16 cents per share for the Reporting Period, representing a payout ratio of 34.2%.

Business Overview

Contributing growth driver – High-end VIP special services with high profitability

During the Reporting Period, the revenue of high-end healthcare services amounted to RMB134.0 million (2016: RMB117.1 million), representing a yoy increase of 14.4% as well as contributing 9.6% to the overall revenue. Due to the increasing premium and comprehensive services available at Huaxin Building (華心樓), including comprehensive general surgery and paediatrics services, the average spending per inpatient visit of VIP healthcare services grew by 25.7% yoy to RMB26,118.2 (2016: RMB20,776.8). On the other hand, revenue from VIP inpatient services also recorded a yoy increase of 19.7%, primarily driven by the increase in average spending, as the Group’s services becoming more widely accepted in the Dongguan region.



Combined most-advanced medical equipment with expanding number of medical experts, delivering strong growth in the specialty disciplines

For the year ended 31 December 2017, the Group's five key disciplines – Obstetrics and Gynecology (“O&G”), Cardiovascular, Internal Medicine, General Surgery and Orthopaedics were the largest contributors to total revenue, accounting for 59.5% of total revenue, with each of the discipline recording a yoy growth in revenue of 14.3%, 20.2%, 21.1%, 11.0% and 18.8% respectively. There was also notable performance from the Medical Aesthetic Related Disciplines, as it also recorded a considerable increase in revenue of 29.6% yoy. Behind these good results were the tireless dedication of Kanghua Hospital in upgrading its medical capability and technology, including the recruitment of experienced medical experts from various specialties and the introduction of the most advanced medical equipments, in order to improve its clinical treatment resources, service quality and medical technologies. In the future, the Group will continue to recruit more medical experts and talents, accelerate the installation and implementation of medical equipments, advance the development of each of the aforementioned disciplines, with the aim of expanding its capability to receive and treat critical ill patients.

Expanding clinical treatment capabilities through academic exchanges, solidifying the Group's leading position in the private medical industry

In addition to the continuous effort in developing the disciplines and improving its service quality, Kanghua Hospital is also committed to internal and external academic research and exchanges, as well as enhancing its clinical treatment and research and development capabilities. Such efforts significantly boost the hospital's medical capabilities and reputation, and further strengthen its leading position in the medical industry. In April 2017, Kanghua Hospital formed the “South China Famous Doctors Alliance” (華南名醫聯盟) to uplift the Group's influence and network of clinical resources. In June 2017, the first phase of the clinical experimental study and research centre of Kanghua Hospital commenced operations, offering research and development and application capabilities on novel clinical treatments and medications for the benefit of patients. In addition, Kanghua Hospital has also continued to recruit well-known medical experts in each disciplines to enhance overall medical capabilities and aim to expand the hospital scale and diversification of medical services.

With an aim to improve the overall medical capability, particularly its ability in receiving and treating



critically ill patients, one of the Group's owned hospitals - Dongguan Renkang Hospital ("Renkang") was focusing on the development of specialty disciplines such as Traditional Chinese Medicine, O&G, Geriatrics, and Stomatology in 2017. In addition, Renkang obtained the Dongguan "Certificate of Occupational Disease Physical Examination" (「職業病體檢資質」) and officially launched an occupational disease medical examination service in 2017. It is expected that the service will have strong local demand and will become one of the growth drivers of the Group.

Significant Achievements

Opening of Zhonglian Cardiovascular Hospital in March 2017, high-complexity cardiovascular surgery continues to increase

The hospital under Kanghua Healthcare's management - Zhonglian Cardiovascular Hospital commenced operations in March 2017. It has been continuously ramping up the development level of its operations and has experienced a rapid increase in patient visits since commencement. In May 2017, Zhonglian Cardiovascular Hospital successfully performed its first heart surgery and the surgery rate has been continuously growing since then. As of 31 December 2017, the hospital had implemented more than 190 cardiovascular surgeries. In November 2017, it also became a designated hospital for medical insurance in Chongqing, which will attract more patients in the future.

Opening of Kanghua Hospital – Huawei Clinic in August 2017, create synergies with Kanghua Healthcare

A newly established outpatient division of the Group - Kanghua Hospital – Huawei Clinic ("Huawei Clinic"), commenced operations in August 2017. The clinic is located within the Songshan Lake Science and Technology Industrial Park in Dongguan (東莞松山湖科技產業園) with a gross floor area of approximately 4,000 square metres and a deployment of about 60 medical professionals. The clinic mainly provides basic outpatient services, emergency medical services and physical examination services to personnel inside the Songshan Lake Science and Technology Industrial Park. Moreover, the clinic will also share the quality healthcare facilities and expert resources with the headquarters of Kanghua Hospital.



March 2018 - acquiring Anhui rehabilitation hospitals to expand the group's footprint in the PRC healthcare industry

On March 13, 2018, the Group entered into an equity transfer and capital injection agreement in relation to a possible acquisition of Anhui Hualin Medical Investment Co., Ltd. ("Anhui Hualin"). The possible acquisition will be completed by way of the equity transfer (Acquired 49.71% equity interest in Anhui Hualin at a consideration of RMB 58.7 million) and the capital Injection (the capital injection into Anhui Hualin by Kanghua Healthcare Investment on a non-pro rata basis of RMB20 million). Upon the completion of the acquisition, Kanghua Healthcare will hold a 57% stake in Anhui Hualin. Anhui Hualin is principally engaged in medical management and operation services in the PRC and it has a strong rehabilitation medical services network in Anhui Province, including a Grade II rehabilitation hospital, a first-level general hospital, nine disability rehabilitation centers, and a vocational training school. In 2016, Anhui Hualin has provided services for more than 8,300 patients. It has also established a solid and cooperative relationship with the Hefei Municipal Government of Anhui in terms of home-based care services and handicapped person training. It is also the organization in providing rehabilitation services for children and comprehensive and high-quality rehabilitation medical services to the local area. The above acquisition is a strategic move in extending its footprint in China's medical industry, which will not only expand the Group's service scope to rehabilitation services for people with disabilities, but also enabling Kanghua Healthcare to building a better health care system.

Prospects

The Chinese government has been actively implementing medical-related supporting policies and measures that are conducive to the development of the private healthcare industry. **Mr. Wang Junyang, the Chairman of Kanghua Healthcare**, said, "The Group will benefit from the Guangdong-Hong Kong-Macao Bay Area Plan proposed by China's 13th Five-Year Plan (2016-2020). Together with the Belt and Road planning initiatives, the favourable policies may bring significant business opportunities and encourage investment activities in the Guangdong Province, including Dongguan. At the same time, this may also drive the market demand for healthcare services, particularly premium and high-end healthcare services in the region. As the leading medical industry in Guangdong Province and with the Group's well developed positioning, we are confident to capture upcoming opportunities."



Mr. Wang continued, “The Group is actively seeking for opportunities to expand its operations and network coverage as well as diversify its business scope and geographical coverage. The Group intends to target on small and medium sized hospitals with 300 to 500 beds with a view to developing them into general hospitals, specialising in specific disciplines (大專科小綜合醫院) that serve the medical needs of the local population. With our highly developed, standardised, and robust hospital management and clinical management structure, we believe we will be able to replicate our success in Kanghua Healthcare to other areas in order to create a satellite network. The Group will also actively looking for other opportunities to unleash business potentials, and eventually creating value for our shareholders and stakeholders.”

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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.

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.**

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