

【For Immediate Release】

29 August 2017



Guangdong Kanghua Healthcare Co. Ltd.

廣東康華醫療股份有限公司

(Stock code: 3689.HK)

Announces 2017 Interim Results

Revenue Increased by 8% to RMB 635.3million

Gross Profit Increased by 18.4% to RMB 160.7million

Gross Profit Margin Improved by 2.2 p.p. to 25.3%

Grand Openings of Kanghua Chongqing Zhonglian Cardiovascular Hospital and
Kanghua Hospital – Huawei Clinic

Financial Highlights

RMB million	For the six months ended 30 June		
	2017	2016	Change
Revenue	635.3	588.3	+8.0%
Gross profit	160.7	135.7	+18.4%
Profit for the period	74.1	65.2	+13.7%
Profit attributable to owners of the Company	72.0	63.9	+12.7%
Gross profit margin	25.3%	23.1%	+2.2p.p.
Net profit margin for the period	11.7%	11.1%	+0.6p.p.
Net profit margin attributable to owners of the Company	11.3%	10.9%	+0.4p.p.

(Hong Kong – 29 August 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 interim results for six months ended 30 June 2017 (the “Reporting Period”).



Results

Kanghua Healthcare continued to deliver promising operating results in the Reporting Period. Contributed by the 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. The Group has recorded a 8.0% period-on-period (“pop”) growth in revenue, reaching RMB635.3 million for the Reporting Period (1H2016: RMB588.3 million). The enhanced overall bed utilisation rate and efficiency of clinical processes drove the overall gross profit from RMB135.7 million in the corresponding period in 2016 to RMB160.7 million in the Reporting Period, rose by 18.4% pop. Profit for the period increased by 13.7% to RMB74.1 million (1H2016: RMB65.2 million) and profit for the period attributable to owners of the Company grew by 12.7% to RMB72.0 million (1H2016: RMB63.9 million). Basic earnings per share decreased by 16.0% to RMB21.5 cents (1H2016: RMB25.6 cents) as the weighted average number of ordinary shares increased by 33.8% from 250,000,000 shares to 334,394,000 shares after the Group was listed in November 2016.

Business Overview

During the first half of 2017, revenue from the Obstetrics and gynaecology (“O&G”) related disciplines of Kanghua Healthcare contributed the most in the overall revenue increment and recorded a considerable pop increase of 22.7%, primarily attributable to (i) the Group’s efforts in recruiting more O&G healthcare expert professionals and enhancing medical facilities in such disciplines; (ii) the effect of two-child policy in the PRC had gradually becoming more apparent; and (iii) strong demand for VIP O&G services. In terms of the Group’s high-end healthcare services, they offer higher quality and customised healthcare services which specially caters for the more affluent patients. The revenue of high-end healthcare services amounted to RMB60.3 million for the Reporting Period (1H2016: RMB52.7 million), representing a pop increase of 14.4%. The average spending per inpatient visit of VIP healthcare services amounted to RMB19,905.3 (2016: RMB15,487.4), representing a pop increase of 28.5%, primarily attributable to the increased demand of more premium VIP healthcare services.

On top of core business operation, Kanghua Hospital continued to strengthen its leading position in the healthcare industry through promoting internal and external academic studies and exchange. In April 2017, Kanghua Hospital formed the “South China Famous Doctors Alliance” (「華南名醫聯盟」) jointly with the Guangdong Clinical Medical Association (廣東省臨床醫學學會) and established a



cooperation and exchange centre for consultation with a view to expanding the influence of Kanghua Hospital and its network of clinical resources. In June 2017, the first phase of the clinical experimental study and research centre (臨床試驗研究中心) of Kanghua Hospital commenced operations, indicating a significant strengthening in Kanghua Hospital's research and development and application capabilities on new clinical treatments and medications for the benefit of patients. Kanghua Hospital continued recruiting renowned medical experts in various disciplines to enhance its overall medical capability, as well as additional professional hospital managers to satisfy the management needs for the growing scale of hospitals and diversity and upgrading of medical service offerings.

Furthermore, during the first half of 2017, Renkang Hospital focused on the expanded development and construction of its Chinese Medicine Specialist Services and increased the promotion and application of Chinese Medicine specialty treatment services. Meanwhile, the hospital also continued to promote the development of other specialty disciplines, such as obstetrics and gynaecology, geriatric diseases and stomatology, to enhance its overall medical service level and the capabilities to receive and treat critical illness patients.

Significant Achievements

Opening of Zhonglian Cardiovascular Hospital in March 2017

The Group's first managed hospital, Chongqing Kanghua 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 since commencement.

Opening of Kanghua Hospital – Huawei Clinic in August 2017

Kanghua Hospital – Huawei Clinic (“Huawei Clinic”), a newly established outpatient division of the Group, 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. Huawei 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, Huawei Clinic will also share the quality healthcare facilities and expert resources with the headquarters of Kanghua Hospital.

Prospects

With a vision that private hospitals will remain as one of the fastest growing sectors in the PRC healthcare services industry, **Mr. Wang Junyang, the Chairman of Kanghua Healthcare**, said, “The healthcare services industry in the PRC has been rapidly expanding in scale, driven primarily by the aging population, urbanisation, relaxation of birth control policy, increasing income level per capita, the reform of the medical insurance system and deepening of new medical reforms. By leveraging on our favourable development positioning, Kanghua Healthcare will benefit from the development opportunities of the healthcare services industry. From the current perspective, with favourable policies under the healthcare reform, multi-site doctor practice and rising demand for high-end patient centric healthcare services are conducive to the continued expansion of the Group as a leading private healthcare services provider.”

Mr. Wang continued, “To achieve our goal, we will continue to explore opportunities to expand its operations and network coverage and is in the process of identifying suitable targets. 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 with deep specialisations in specific disciplines (大專科小綜合醫院) and adaptations that serve the medical needs of the local population. We will also be mindful of 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.**

For enquiries, please contact:



DLK Advisory

Michelle Shi (michelleshi@dlkadvisory.com)

Skye Shum (skyeshum@dlkadvisory.com)

Victoria Chow (victoriachow@dlkadvisory.com)

Tel: +852 2857 7101

Fax: +852 2857 7103