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Union Medical Healthcare announces FY2019/20 annual results

Enhanced information technology system, services and brands lead to business growth despite market decline

Highlights of financial results

1. Revenue increased by 5.2% to about HK\$1.95 billion
2. Profit attributable to the shareholders of the Company was HK\$ 286.6 million
3. Revenue from medical services increased by 19.2% to HK\$ 623.2 million
4. Proportion of revenue from services to the People's Republic of China ("PRC") clients in the Group's total revenue decreased by 6.0 percentage points to 32%
5. Basic earnings per share were 29.1 HK cents
6. The board of directors (the "Board") proposed cash dividend of 8.0 HK cents per share, which together with the interim dividend of 15.0 HK cents per share, will bring the total annual dividend to 23.0 HK cents per share
7. As at 31 March 2020, the Group has 96 full-time and exclusive Registered Practitioners across Hong Kong, the Mainland China and Macau

(30 June 2020, Hong Kong) **Union Medical Healthcare Limited** ("Union Medical Healthcare" or the "Company", which together with its subsidiaries is referred to as the "Group", SEHK stock code: 2138), a leading integrated medical group in Hong Kong¹, announces today its annual results for the fiscal year ended 31 March 2020 (the "Year").

During the Year, Hong Kong was affected by social unrest and global pandemic. Nevertheless, the Group further expanded its share of the market for primary healthcare by building on its solid business fundamentals and by allocating resources consistently to the enhancement of its information technology system, services and brands. Its ability to maintain and enhance its competitive advantage has enabled it to remain a leader in the market. Moreover, a precise business strategy has also enabled the Group to maintain stable growth in revenue despite the gloom and doom in the economic environment.

Average spending per individual customers increased by 7.8% to HK\$19,923 during the Year, driving the Group's revenue up by 5.2% to about HK\$1.95 billion. However, profit decreased by 19.3% to HK\$310.3 million because the Group developed new businesses which needed time to grow before

they could yield results and because it just began to adopt the strategy of integrating its diverse services in multiple medical disciplines. Such moves called for investment and time in their early stages. The Group set up services in additional medical disciplines to satisfy the growing customer demand. As at 31 March 2020, profit attributable to the shareholders of the Company fell by 20.6% to HK\$286.6 million. Basic earnings per share were 29.1 HK cents (2019: 36.7 HK cents). The Board proposed a final dividend of 8.0 HK cents per share in cash, which together with the interim dividend of 15.0 HK cents per share, will bring the total annual dividend to 23.0 HK cents per share.

Medical specialty services business drives overall business growth

The Group has successfully transformed itself into the largest integrated medical service provider in Hong Kong. As at 31 March 2020, it had 96 full-time and exclusive registered practitioners, 86 medical professionals, 286 relationship managers and 374 trained therapists. During the Year, revenue from medical services increased by 19.2% to HK\$623.2 million because the Group increased the variety of its medical services to include paediatrics and cardiology, and the number of clients receiving the Group's medical services also increased remarkably.

During the Year, the customers remained stable, at the customer retention rate of 80%. Revenue from the PRC clients accounted for 32.0% of the total. The Chinese government has been trying to cut healthcare costs so it has been encouraging the popularization of private health insurance. In order to fit with a growing trend towards the localisation of medical services in mainland China, the Group is seeking acquisition targets and partnerships with local industry players in the country in addition to establishing clinics or services centres organically. As at 31 March 2020, the Group has established six clinics in mainland China.

In the Group's business of aesthetic medical services, revenue decreased by 6.5% to HK\$781.0 million for the year ended 31 March 2020 because restriction on cross-border travel to prevent the spread of novel coronavirus pneumonia pandemic resulted in a decrease in the number of clients. The Group is committed to providing one-stop medical beauty services so it has gradually made them comprehensive to include traditional beauty services such as haircare and ancillary wellness services. The business recorded a revenue of HK\$419.2 million.

Taking on challenges promptly

The social unrest in Hong Kong since mid-2019 and the pandemic since February 2020 had affected inbound tourism and domestic consumption in the near term. To cope with the city's adverse business environment, the Group adopted a series of measures, including proactive client engagement to retain loyal local customers; developing new medical services to meet the customers' essential needs; conducting additional promotional campaigns to attract new local customers or

medical tourists; taking an even more prudent approach to finance management; and stepping up cost control measures.

Moreover, the Group retains talents through the Co-ownership Plan. It also allotted and issued new shares of the Company to the landlord of Langham Place Flagship on 8 May 2020 as a strategic shareholder with the potential to tap into medical real estate. In the meantime, the Group seized opportunities on the market by entering into a sales and purchase agreement to acquire a majority stake in a medical specialist clinic group on 18 May 2020.

As a result of the management's prompt response and the concerted efforts of all the doctors and employees, the Group's sales volume is expected to be no less than HK\$400 million during the period from 1 April 2020 to 28 June 2020, representing an increase of no less than 11.3% compared with first quarter in 2020, based on the management sales record. The Group expects the operating environment to remain challenging in the near future but it is confident that it will be able to thrive during the anticipated recovery in business because of its business model, flexibility, customer-centric approach and adoption of information technology.

Strategy of integrating multi-disciplinary medical services

The Group is actively seeking to extend the scope of its healthcare and wellness services by forming strategic alliances with business partners in Hong Kong. The Group will expand its share of the promising market of the Guangdong-Hong Kong-Macao Greater Bay Area by identifying potential acquisition targets or through organic business expansion. Presently, it plans to open 30 to 50 outlets in the area in three to five years, with a focus on discretionary medical and healthcare services, including aesthetic medicine, chiropractic, dental treatment and paediatrics.

Mr. Eddy Tang, Chairman, Executive Director and Chief Executive Officer of Union Medical Healthcare said, "Union Medical Healthcare has successfully transformed itself into a leading integrated medical service provider since its listing. We are ready to further expand our market presence in mainland China and aspire to become a leading medical service provider in Asia. The Group is well-positioned to develop in the Greater Bay Area. With quality medical products and services, the Group will tap the growing demand for medical tourism. We are visionary to maintain our leading position and aim to reach the target market size of HK\$6.0 billion by 2025. In addition to expand our market share by leverage on our leading position in the existing segments, we are to tap into the new initiatives in establishing a medical eco-system via medical share economy and medical real estate. We will also seek acquisition targets to enhance our services portfolio."

About Union Medical Healthcare Limited

Union Medical Healthcare is Hong Kong's largest non-hospital medical service provider*, leveraging its core businesses of preventive and precision medicine, and committed to developing medical artificial intelligence by integrating its multi-disciplinary medical services. The move, which is supported by the Group's high-end branding and quality customer services, is aimed at offering customers safe and effective medical services with professionalism.

The Group principally engages in the provision of one-stop medical and health care services in Greater China. The Group provides a full range of services and products under its well-known brands, including those of its one-stop aesthetic medical solutions provider DR REBORN which has ranked first in Hong Kong by sales for years, primary care clinics jointly established with Tencent Doctorwork, chiropractic services centre SPINE Central, health management centre re:HEALTH, a vaccine centre Hong Kong Professional Vaccine HKPV, a comprehensive dental centre UMH DENTAL CARE, a diagnostic and imaging centre HKAI, an oncology treatment centre reVIVE, a day procedure centre HKMED and a specialty clinic SPECIALISTS CENTRAL.

**According to the independent research conducted by Frost and Sullivan in terms of revenue in 2018 and 2019*

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