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EC Healthcare Announces FY2022/23 Interim Results
Revenue Increased 31.1% YoY Mainly Driven by Medical Services
Continue to Bolster Resilience with Diversified Healthcare Business Strategy
Further Consolidating the Healthcare Services Market

Business Highlight

- Total revenue increased by 31.1% YoY to HK\$1,893.2 million
- Revenue from medical services segment rose by 47.5% YoY to HK\$1,174.8 million, boosting its revenue contribution to 62.1%
- Revenue from aesthetic medical and beauty and wellness services segment decreased by 2.0% YoY to HK\$607.4 million, accounted for approximately 32.1% of total revenue
- Driven by previous acquired veterinary business, revenue from other services increased by 301.9% YoY to HK\$111.0 million, represents 5.8% of the total revenue
- Organic revenue¹ increased by 22.8% YoY to HK\$1,773.7 million, accounting for 93.7% of the total
- EBITDA during the period was HK\$269.9 million
- Net profit after tax for during the period was HK\$105.2 million
- Basic earnings per share during the period amounted to 6.8 HK cents
- The Board declared an interim dividend of 5.8 HK cents per Share, representing a payout ratio of 85.3%, which will be payable in cash
- As at 30 September 2022, the total valuation of the Group's M&A transactions executed was HK\$219.3 million, spanning medical specialty services, veterinary and health screening services, which further strengthened the Group's medical services layout.
- The Group's suite of medical services spans 35 specialties and disciplines, and the number of full-time and exclusive registered practitioners has increased to 293
- The Group has maintained premium service quality with 99.98%⁶ of customers' satisfaction rate
- The contribution from existing customers accounted for 71.6%^{3,7} to the Group's total revenue.
- Customer loyalty remained high with repurchase purchase rate of 93.7%^{4,7}.
- Total number of service points increased to 154, total gross floor area ("GFA") increased by 24.1% YoY to approximately 557,000 sq. ft

(24 November 2022, Hong Kong) EC Healthcare (the "Company", which together with its subsidiaries is referred to as the "Group", SEHK stock code: 2138), the largest non-hospital medical group in Hong Kong, announces today its unaudited interim results for the six months ended 30 September 2022 (the "Period").

During the Period, the Group stayed resilient in the face of multiple challenges, including global economic downturn, absence of medical tourism amidst prolonged travel restrictions, weak local retail sentiment and business disruptions caused by the fluctuation of COVID-19. Thanks to robust demand on the Group's medical services and its diversified business strategy, the Group was still able to increase its medical market share, diversifying its scope of services, and bolstering its leading position in the healthcare sector as Hong Kong's largest non-hospital medical service provider.

The demand for medical services provided by the Group remains strong, and the Group able to increase its market share during the period. During the Reporting Period, sales volume increased by 18.3% year-on-year (“YoY”) to HK\$1,812.4 million. Revenue increased by 31.1% YoY to HK\$1,893.2 million. Organic revenue¹ of the Group increased by 22.8% YoY to HK\$1,773.7 million, accounting for 93.7% of the total driven by effective sales strategy. The total valuation of the Group’s M&A transaction executed during the Period was HK\$219.3 million, spanning medical specialty services, veterinary and health screening services, further strengthening the Group’s client-centric services layout.

Nevertheless, the Group’s net profit after tax for during the period decreased by 46.3% YoY to HK\$105.2 million. Net profit margin was under pressure and decreased by 8.0 percentage point to 5.6% due to the Compulsory Closure of the Group’s beauty and wellness businesses in Hong Kong and Macau as well as business disruption in Mainland China from COVID-19. Increasingly fierce competitive landscape, rising cost structure from inflation, temporary low operation leverage of the newly established service points from previous financial year and increase depreciation and amortization expenses incurred from the newly acquired medical assets undermined the Group’s profitability during the Period. In addition, the capital expenditures expended on organic expansions of our new medical facilities are yet to commence services to generate income within the period. As a result, the net profit attributable to equity shareholders of the Company was HK\$80.0 million. Basic earnings per share was 6.8 HK cents, compared to 14.2 HK cents for the same period last year.

With excellent customer service provided by the professional teams, the Group had built a loyal customer base through our enclosed ecosystem over the years. During the Period, the number of unique customers steadily increased to 122,883^{2,7} and the contribution from existing customers accounted for 71.6%^{3,7} to the Group’s total revenue. Customer loyalty remained high with repurchase purchase rate of 93.7%^{4,7}. Driven by the synergies created by the Group’s enclosed healthcare ecosystem, over 28.1%⁵ of its customers had made purchases across its various brands in the Period. Meanwhile, the Group maintained premium service quality with 99.98%⁶ of customers’ satisfaction rate.

The number of service points increased through organic expansion and acquisitions. As at 30 September 2022, the Group had a total number of 154 service points comprising 134 in Hong Kong, 4 in Macau and 16 in Mainland China with the total aggregate GFA increased by 24.1% YoY to approximately 557,000 sq. ft. Out of the net increase of approximately 108,000 sq. ft. compared to first half of FY22, approximately 69.1% came from medical business and approximately 22.8% came from aesthetic medical and beauty and wellness services business respectively. The Group’s suite of medical services spans 35 specialties and disciplines, and the headcount of full-time and exclusive registered practitioners has increased to 293.

Strong growth in medical segment

Medical segment being the essential needs and continued to be the key growth driver. The Group continued to gain market share in the healthcare services industry through both organic expansion and M&A growth. Revenue from the Group’s medical services segment rose by 47.5% YoY to HK\$1,174.8 million, boosting its revenue contribution to 62.1%, of which organic expansion and M&A completed during first half of FY23 accounted for approximately 90.8% and 9.2% respectively. Organic growth was driven by surged demand, effective sales strategy and rising healthcare sentiment. During the Period, the total valuation of acquisitions executed in medical segment was HK\$175.1 million.

1 Total revenue minus revenue recognized from the newly acquired assets during period.

2. Based on revenue for the year.

3. Revenue contribution by existing customers to the total revenue for the period

4. Annualise revenue from old customers during the reporting period, divided by FY22 total revenue.

5. Number of customers who purchased services from more than one brand for the period divided by total number of customers for the period. Based on data from internal system, include data from 31 brands

6. 100% minus the percentage of material unfavorable feedback of total revenue for the period

7. Based on data from internal system, include data from 39 brands

Mild decline in aesthetic medical & beauty and wellness services segment

During the Period, revenue contributed by aesthetic medical and beauty and wellness services decreased by 2.0% YoY to HK\$607.4 million, accounted for approximately 32.1% of total revenue. Revenue from Hong Kong recorded a mild decline of 5.4% YoY to HK\$460.7 million due to 20 days of Compulsory Closure in April 2022 and followed by a gradual recovery from pent-up demand. Mainland aesthetics market facing business disruption caused by COVID. During the Period, revenue from Mainland China increased by 12.6% YoY to HK\$89.8 million despite an average of 26 days, 10 days and 122 days of business disruption in Shenzhen, Guangzhou and Shanghai, respectively. Revenue from Macau increased marginally 7.7% YoY to HK\$56.8 million due to an average of 31 days of Compulsory Closure.

Booming growth in others segment

During the Period, revenue from other services increased by 301.9% YoY to HK\$111.0 million, representing 5.8% of the total revenue, primarily attributable to the M&A expansion into the veterinary sector.

Mr. Eddy Tang, Chairman, Executive Director and Chief Executive Officer of EC Healthcare said, “While Hong Kong local consumption gradually recovers, benefitting from the Hong Kong Government’s pandemic policy stance towards “Normalization” with lifting off quarantine for inbound travelers, the recessionary market backdrop could still pose headwinds to our businesses. Yet, we believe that the medical market remains lucrative and public-private partnership will continue to increase Hong Kong’s private medical spending in the long run.

As part of our accretive acquisition strategy, we will continue to diversify within the medical and beauty sectors with acquired brands that are complementary and add value to our core business in order to build a one-stop healthcare and wellness platform to expand customer’s lifetime value. We will also expand the strategic partnerships with key players in technology, telecom, insurance, property, and pharmaceutical industries to form our healthcare ecosystem.

We have been striving to improve our operational excellence by enhancing corporate structure and management capability, optimizing our resources with priorities through digital transformation. The Group will continue to enhance its talent’s productivity and loyalty through the unique “Co-Owner” and “Servant Leadership” company culture.”

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About EC Healthcare

EC 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 healthcare and medical services with professionalism. The Group is a constituent stock of the Hang Seng Composite Index and the MSCI Hong Kong Small Cap Index.

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, a professional hair care center HAIR FOREST, primary care clinics jointly established with health management centre re:HEALTH, a vaccine centre Hong Kong Professional Vaccine HKPV, General outpatient clinic Tencent Doctorwork, the largest one-stop pain management centre in Hong Kong New

York Medical Group, the comprehensive dental centres Bayley & Jackson Dental Surgeons, EC DENTAL CARE and Health and Care Dental Clinic, an advanced diagnostic and imaging centre HKAI, an oncology treatment centre reVIVE, a day procedure centre HKMED, a specialty clinic PREMIER MEDICAL CENTRE, SPECIALISTS CENTRAL and NEW MEDICAL CENTER, a paediatric centre PRIME CARE, a gynaecology specialist ZENITH MEDICAL CENTER AND PRENATAL DIAGNOSIS CENTRE, PathLab Medical Laboratories, Ophthalmology Center VIVID EYE and EC Veterinary Hospital and Imaging Center.

*According to independent research conducted by Frost and Sullivan in terms of revenue in 2020 and 2021

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