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YONGHE

雍禾医疗

Yonghe Medical Group Co., Ltd.

雍禾醫療集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2279)

PROFIT WARNING

This announcement is made by Yonghe Medical Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group expects to record:

- (i) a revenue of approximately RMB673.3 million to RMB823.0 million for the six months ended June 30, 2022 as compared with the revenue of approximately RMB1,053.4 million for the six months ended June 30, 2021;
- (ii) a gross profit of approximately RMB432.4 million to RMB528.5 million for the six months ended June 30, 2022 as compared with the gross profit of approximately RMB775.4 million for the six months ended June 30, 2021; and
- (iii) a net profit of approximately RMB11.0 million to RMB20.0 million for the six months ended June 30, 2022 as compared with the net profit of approximately RMB40.4 million for the six months ended June 30, 2021.

Based on the information currently available, the Board considers that such expected decrease above is primarily attributable to, among other things, the following reasons:

- (i) due to the resurgence of COVID-19 pandemic in mainland China in the first half of 2022, for the six months ended June 30, 2022, the operation of more than 30 clinics of the Group was suspended/restricted to comply with the pandemic prevention measures implemented by government authorities, including the operation of the Group’s top four clinics in terms of revenue contributions (located in Beijing, Shanghai, Shenzhen and Guangzhou, respectively) and some other clinics located in tier-one and tier-two cities where COVID-19 pandemic was severe. However, those clinics still incurred fixed operating costs such as rental and employees’ remuneration; and

- (ii) despite the impact of the aforementioned COVID-19 pandemic, the Group sustained to its expansion plan in view of the positive outlook of hair-related healthcare service market in China, and thus incurred additional expansion-related expenses. As of June 30, 2022, the Group had completed the construction of 12 new stores and another 19 new stores were under construction. The Group believes that the construction of these new stores will contribute to the Group's business performance and strategic development in the future.

As of the date of this announcement, the Company is in the process of finalising the interim results of the Group for the six months ended June 30, 2022. The information contained in this announcement is only based on the preliminary assessment of the unaudited management accounts of the Group and information currently made available to the Board as at the date of this announcement, which have not been audited or reviewed by the auditors of the Company and/or the audit committee of the Board. The finalised interim results of the Group for the six months ended June 30, 2022, which may differ from the figures and information provided in this announcement, are expected to be published by the end of August 2022.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Yonghe Medical Group Co., Ltd.
Zhang Yu
Chairman of the Board

Hong Kong, July 29, 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yu, Mr. Zhang Hui and Ms. Han Zhimei; the non-executive director of the Company is Mr. Geng Jiaqi and the independent non-executive directors of the Company are Ms. Liang Jihong, Mr. Chan Peng Kuan and Mr. Li Xiaopei.