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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 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 for the year ended 31 December 2022 (the “**Year**”) and the information currently available to the Board, the Group expects to record a revenue of approximately RMB1,271.5 million to RMB1,554.1 million, as compared with the revenue of RMB2,168.6 million for the year ended 31 December 2021. And the Group expects to incur a net loss of not more than RMB90.0 million for the Year, as compared with the net profit of RMB120.2 million for the year ended 31 December 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 the COVID-19 pandemic in mainland China in 2022, the total number of visits to the Group’s stores nationwide decreased by approximately 40% during the Year, and the operation of 59 stores of the Group was suspended/restricted to comply with the pandemic prevention measures implemented by government authorities in some cities, with an average closing time of 38 days. However, those stores still incurred fixed operating costs such as rental and employees’ remuneration; and
- (ii) despite the impact of the COVID-19 pandemic, the Group maintains its expansion plan in view of the positive outlook of the hair-related healthcare service market in China, and thus incurred additional expansion-related expenses. By the Year end, the Group newly opened 18 Yonghe/Fa Zhi Chu (髮之初)/Svenson (史雲遜) stores. The Group believes that the establishment of these new stores will contribute to the Group’s business performance and strategic development in the future.

The impact of the COVID-19 pandemic on the Group's business has been diminishing as the Chinese government optimises its prevention and control policies and measures in response to the prevailing situation. With the changes in the industry landscape under the impact of the COVID-19 pandemic, the operation of the Group's comprehensive hospitals and a batch of newly-built medical institutions, and the full implementation of internal reforms such as the industry-leading physician consultation system, the management of the Company has full confidence in the business fundamentals and development prospects of the Group.

As at the date of this announcement, the Company is in the process of finalising the annual results of the Group for the Year. 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 annual results of the Group for the Year, which may differ from the figures and information provided in this announcement, are expected to be published by the end of March 2023.

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, 3 March 2023

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.