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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 of directors (the “**Board**”) 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 Group’s unaudited consolidated management accounts for the year ended 31 December 2023 (the “**Year**”) and the information currently available to the Board, the Group expects to record a revenue of approximately RMB1,765.0 million to RMB1,780.0 million for the Year, representing an increase of approximately 24.9% to 26.0% over the revenue for the year ended 31 December 2022. Also, the Group expects to incur a loss of not more than RMB550.0 million for the Year, as compared with a loss of RMB85.9 million for the year ended December 31, 2022.

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

- (i) in response to the changes in China’s consumer medical service market and hair-related healthcare service industry, the Group has strategically optimized its organization structure, resulting in increased labor costs;
- (ii) to enhance the efficiency of marketing channels, the Group has conducted phase-wise explorations of expanding online customer acquisition channels, leading to an increase in sales expenses for the Year of approximately 36.0% to 37.0% compared with the same period of 2022;

(iii) to cope with the market changes and based on the positive outlook on hair-related healthcare services market, the Group has strategically adjusted its market layout, and has opened 21 Yonghe Hair Transplant clinics and 7 Svenson (史雲遜) hair care centers during the Year, the corresponding cost expenditures have increased. Meanwhile, in order to enhance the overall profitability of the clinics, the Group has integrated regional resources and downsized some lower-tier city stores, incurring a one-time loss of approximately RMB53.6 million. The Group believes that such adjustments will benefit the future business performance and long term development of the Group.

The current economic environment is full of challenges and uncertainties, however, through scientific strategic planning and effective operational management, we are well equipped to face up to these challenges. In 2024, the Group will further optimize labor costs, strictly control the sales expense ratio and improve operational efficiency. We believe that such measures will significantly enhance the business development of our Group in 2024.

As of the date of this announcement, the Company is in the process of finalizing 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 the information currently available to the Board as of 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 finalized 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 2024.

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, March 8, 2024

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.