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YONGHE

雍禾医疗

Yonghe Medical Group Co., Ltd.

雍禾醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2279)

SUPPLEMENTAL ANNOUNCEMENT TO THE 2023 ANNUAL REPORT AND CHANGE IN USE OF PROCEEDS

Reference is made to the annual report of Yonghe Medical Group Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 December 2023 (the “Annual Report”) published on 29 April 2024.

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Annual Report.

In addition to the information contained in the Annual Report, the Company hereby further provides the following supplementary information in the paragraph headed “**USE OF PROCEEDS FROM THE GLOBAL OFFERINGS**” on pages 53 & 54 of the Annual Report in accordance with the paragraph 11(8) and paragraph 11A of Appendix D2 to the Listing Rules (the additional information has been underlined for easy reference).

	Actual amount of net proceeds utilised during the year ended 31 December 2023
	<i>HK\$ million</i>
Use of proceeds	
To expand and upgrade existing hair transplant clinics in our network in China	157.9
To fund our innovations in product and service offerings	81.3
For investment in research and development to upgrade our service system with cutting-edge technology	34.4
To integrate industry resources to raise brand awareness in China	96.0
To settle the outstanding balance of the acquisition consideration payable for our acquisition of Nu/Hart Hair	0
For our working capital and general corporate purposes	24.3
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Total	393.9
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As stated in the Prospectus, the Group planned to use its net proceeds to fund the building of six comprehensive hair hospitals in China. However, up to 30 March 2023, the Group completed establishing the new hospital in Shanghai and completed transforming the existing clinics in Guangzhou and Shenzhen, and expected to complete the new hospital in Beijing in April 2023. The actual costs of establishing these hospitals had been less than the anticipated costs as renovation and equipment costs have reduced. In addition, due to the resurgence of COVID-19 during 2022, the other two comprehensive hair hospitals in Chengdu and Chongqing had significantly reduced in their respective business scale and size. Thus, the costs associated with implementing these two comprehensive hair hospitals in China had reduced significantly.

Therefore, on 30 March 2023, the Board resolved to reallocate the net proceeds of HKD120.0 million from the category of “To expand and upgrade existing hair transplant clinics in our network in China” to:

- (i) the category of “To integrate industry resources to raise brand awareness in China” in the amount of approximately HKD96.0 million in order to place additional advertisements and sponsoring of entertainment events; and
- (ii) the category of “our working capital and general corporate purposes” in the amount of HKD24.2 million.

For details, please refer to the announcement of the Company dated 30 March 2023.

The above supplementary information does not affect the other information contained in the Annual Report. Save as disclosed above, all other information in the Annual Report remains unchanged.

CHANGE IN USE OF PROCEEDS

The Company hereby announces that it has resolved to further change the use of remaining unutilised net proceeds from the Global Offering.

In the process of product and service innovation, the Group collaborates with other well-known pharmaceutical companies to innovate medical care products, resulting in a significant reduction in related research and development costs. Therefore, the Board believes that reallocating HKD40.0 million of the net proceeds from the category of “To fund our innovations in product and service offerings” to working capital can effectively enhance the Group’s operational efficiency.

As the Group invested in research and development and advanced technology to enhance our service system, the cost of building the data analysis team has decreased, and the construction of intelligent hospitals has now been largely completed. As a result, HKD51.0 million of the net proceeds will be reallocated to working capital from the category of “For investment in research and development to upgrade our service system with cutting-edge technology”.

Due to the impact of the economic environment, the Company has slowed down the pace of institutional expansion and closed some self-operated clinics to reduce costs. Therefore, the Group expects that the acquisition process for regional non-chain hair transplant institutions will also be temporarily halted in the coming year. As a result, HKD160.0 million of the net proceeds will be reallocated to working capital from the category of “To integrate industry resources to raise brand awareness in China”. The Board believes that this adjustment will allow for more efficient use of funds.

The revised use of net proceeds from the Global Offering after the change in use of proceeds are set forth below:

Use of proceeds	Planned applications ^(Note) <i>HK\$ million</i>	Amount unutilised as at 31 December 2023 <i>HK\$ million</i>	Amount utilised from 31 December 2023 to 22 August 2024 <i>HK\$ million</i>	Amount unutilised as at 22 August 2024 <i>HK\$ million</i>	Revised amounts of unutilised net proceeds as at 22 August 2024 <i>HK\$ million</i>	Expected timeline for full utilisation
To expand and upgrade existing hair transplant clinics in our network in China	64.7	0	0	0	0	N/A
To fund our innovations in product and service offerings	222.3	149.4	20.8	128.6	88.6	By December 2025
For investment in research and development to upgrade our service system with cutting-edge technology	136.1	105.0	15.8	89.2	38.2	By December 2025
To integrate industry resources to raise brand awareness in China	378.3	282.3	0	282.3	122.3	By December 2025
To settle the outstanding balance of the acquisition consideration payable for our acquisition of Nu/Hart Hair	0	0	0	0	0	N/A
For our working capital and general corporate purposes	24.2	0	0	0	251.0	By December 2025
Total	825.6	536.7	36.6	500.1	500.1	

Note: Representing the revised planned application of unutilised net proceeds, following the change in use of proceeds announced on 30 March 2023.

The Board confirms that there has been no material change in the nature of the Group's business as described in the Prospectus. The Board considers that the above changes in the use of net proceeds are fair and reasonable, as this will enable the Group to more effectively deploy its financial resources, thereby enhancing the Group's profitability, and is therefore in the best interests of the Group and its shareholders as a whole. The Board will continue to evaluate the plans for the unutilised net proceeds and may revise or amend these plans as necessary to respond to changing market conditions and to achieve better business performance for the Group.

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

Hong Kong, August 22, 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.