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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)**

## **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

### **FINANCIAL HIGHLIGHTS**

The Group's revenue increased by 1.5% from RMB1,777.3 million for the year ended 31 December 2023 to RMB1,804.5 million for the year ended 31 December 2024.

The Group's gross profit increased by 8.7% from RMB997.2 million for the year ended 31 December 2023 to RMB1,084.2 million for the year ended 31 December 2024.

Gross profit margin increased from 56.1% for the year ended 31 December 2023 to 60.1% for the year ended 31 December 2024.

The Group's net loss narrowed by 58.6% from RMB546.7 million for the year ended 31 December 2023 to net loss of RMB226.6 million for the year ended 31 December 2024.

The Group's losses before interest, taxes, depreciation and amortisation was RMB183.6 million for the year ended 31 December 2023, as compared to the earnings before interest, taxes, depreciation and amortisation of RMB141.0 million for the year ended 31 December 2024.

Basic loss per share was RMB1.08 for the year ended 31 December 2023, as compared to basic loss per share of RMB0.45 for the year ended 31 December 2024.

The Board has resolved not to declare any dividend for the year ended 31 December 2024.

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Board of Directors is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2024, together with the comparative figures for the corresponding period in 2023 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2024</b>	<b>2023</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue from contracts with customers</b>	<i>3</i>	<b>1,804,498</b>	1,777,258
Cost of sales and services		<b>(720,286)</b>	(780,072)
<b>Gross profit</b>		<b>1,084,212</b>	997,186
Selling and marketing expenses		<b>(902,392)</b>	(1,044,373)
General and administrative expenses		<b>(285,264)</b>	(374,319)
Research and development expenses		<b>(21,250)</b>	(29,279)
Impairment losses of non-financial assets	<i>4</i>	<b>(60,828)</b>	(28,129)
Reversal of impairment losses/(impairment losses) on financial assets – net		<b>321</b>	(257)
Other income		<b>1,553</b>	2,115
Other losses – net	<i>5</i>	<b>(41,041)</b>	(54,694)
<b>Operating loss</b>		<b>(224,689)</b>	(531,750)
Finance income	<i>6</i>	<b>10,615</b>	12,701
Finance costs	<i>6</i>	<b>(41,217)</b>	(66,170)
Finance costs – net		<b>(30,602)</b>	(53,469)
<b>Loss before income tax</b>		<b>(255,291)</b>	(585,219)
Income tax credit	<i>7</i>	<b>28,722</b>	38,535
<b>Loss for the year</b>		<b>(226,569)</b>	(546,684)
<b>Loss is attributable to:</b>			
– Equity holders of the Company		<b>(226,343)</b>	(546,394)
– Non-controlling interests		<b>(226)</b>	(290)

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Other comprehensive loss</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>(55)</u>	<u>(48)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(226,624)</u></b>	<b><u>(546,732)</u></b>
<b>Total comprehensive loss for the year is attributable to:</b>			
– Equity holders of the Company		<b>(226,398)</b>	(546,442)
– Non-controlling interests		<b><u>(226)</u></b>	<b><u>(290)</u></b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic loss per share ( <i>RMB</i> )	8	<b>(0.45)</b>	(1.08)
Diluted loss per share ( <i>RMB</i> )	8	<b><u>(0.45)</u></b>	<b><u>(1.08)</u></b>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		395,385	618,551
Right-of-use assets		541,150	871,789
Intangible assets		25,850	35,163
Deferred income tax assets		133,059	107,626
Prepayments, deposits and other receivables		921	2,106
		<u>1,096,365</u>	<u>1,635,235</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		40,534	76,005
Trade receivables	10	4,632	10,267
Prepayments, deposits and other receivables		91,659	119,839
Cash and cash equivalents		487,842	603,215
Restricted cash		5,148	–
		<u>629,815</u>	<u>809,326</u>
<b>Total current assets</b>			
		<u>1,726,180</u>	<u>2,444,561</u>
<b>Total assets</b>			
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		8	8
Share premium		1,330,498	1,332,287
Treasury shares		(146)	–
Shares held for employee share scheme		(175,533)	(175,533)
Other reserves		155,688	155,630
Accumulated loss		(596,178)	(369,835)
		<u>714,337</u>	<u>942,557</u>
<b>Non-controlling interests</b>			
		<u>(532)</u>	<u>(306)</u>
<b>Total equity</b>			
		<u>713,805</u>	<u>942,251</u>

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2024</b>	2023
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>466,531</b>	772,693
Deferred income tax liabilities		<b>132</b>	6,716
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>466,663</b>	779,409
		<hr/>	<hr/>
<b>Current liabilities</b>			
Borrowings		<b>50,051</b>	152,816
Trade and other payables	<i>11</i>	<b>149,418</b>	210,873
Contract liabilities		<b>190,052</b>	182,355
Current income tax liabilities		<b>5,640</b>	6,813
Lease liabilities		<b>150,551</b>	170,044
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>545,712</b>	722,901
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>1,012,375</b>	1,502,310
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,726,180</b>	2,444,561
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Yonghe Medical Group Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on 17 September 2020 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, Grand Cayman KY 1-9010, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are primarily engaged in the provision of (i) hair transplant and (ii) medical hair care services (the “Business”) in the Mainland (“Mainland China”) of People’s Republic of China (the “PRC”).

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 13 December 2021.

These consolidated financial statements are presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousands of RMB (“RMB’000”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2025.

## 2 BASIS OF PREPARATION

### (i) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

HKFRS comprise the following authoritative literature

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

### (iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings, in current period and in prior periods.

**(iv) New standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors of the Company that make strategic decisions. The Group is principally engaged in the provision of hair transplant service which are subject to similar type of services, similar class of customers, similar regulatory environment and similar business risk. Resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit. Therefore, the CODM of the Company regards that there is only one operating segment for the Group.

The major operating entities of the Group are all domiciled in Mainland China and majority of the Group’s revenue were derived in Mainland China for the years ended 31 December 2024 and 2023.

As at 31 December 2024 and 2023, majority of non-current assets of the Group were located in Mainland China.

There was no revenue derived from a single external customer accounting for 10% or more of the Group’s revenue for the years ended 31 December 2024 and 2023.

	<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Hair transplant	1,330,693	1,354,191
Medical hair care	445,769	388,244
Others	28,036	34,823
	<u>1,804,498</u>	<u>1,777,258</u>
	<b>Year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Revenue from customer by region		
Mainland China	1,800,299	1,772,438
Hong Kong	4,199	4,820
	<u>1,804,498</u>	<u>1,777,258</u>

#### 4 IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses of property, plant and equipment	(45,102)	(13,297)
Impairment losses of goodwill	(10,325)	(14,832)
Impairment losses of intangible assets	(4,156)	–
Impairment losses of right-of-use assets	(1,245)	–
	<u>(60,828)</u>	<u>(28,129)</u>

#### 5 OTHER LOSSES – NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property, plant and equipment	(51,779)	(59,849)
Compensation	(28)	(1,956)
Net fair value losses on financial liabilities at fair value through profit or loss	–	(3,636)
Donation	–	(1,500)
Gains on disposal of a subsidiary	–	7,500
Net gains on early termination of property leases	9,547	6,454
Others	1,219	(1,707)
	<u>(41,041)</u>	<u>(54,694)</u>

#### 6 FINANCE COST – NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income on bank deposits	10,570	12,701
Foreign exchange gains	45	–
	<u>10,615</u>	<u>12,701</u>
<b>Finance costs</b>		
Interest expenses on lease liabilities	(37,403)	(51,741)
Interest expenses on bank borrowings	(3,814)	(2,423)
Foreign exchange losses	–	(12,006)
	<u>(41,217)</u>	<u>(66,170)</u>
<b>Finance costs – net</b>	<u>(30,602)</u>	<u>(53,469)</u>



## 7 INCOME TAX CREDIT

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	(3,295)	(3,454)
Deferred income tax credit	32,017	41,989
	<hr/>	<hr/>
Income tax credit	<u>28,722</u>	<u>38,535</u>

### (a) Cayman Islands

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

### (b) British Virgin Islands

Under the current laws of British Virgin Islands, the subsidiaries incorporated in British Virgin Islands are not subject to income tax.

### (c) Hong Kong Profits Tax

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong.

### (d) PRC Corporate Income Tax (“CIT”)

The income tax expenses consist of current and deferred income taxes payable in Mainland China by the subsidiaries. Income tax provision in respect of the operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year or period, based on existing legislations and interpretations and practices in respect thereof.

Beijing Yonghe Medical Technology Group Co., Ltd. (“**Beijing Yonghe**”) is qualified as “High and New Technology Enterprises” (“**HNTes**”) and is entitled to the preferential income tax rate of 15% for the year ended 31 December 2024 (2023: 15%). This status is subject to a requirement that Beijing Yonghe reapply for HNTes status every three years. Certain subsidiaries of the Group are taxed at preferential tax rates of 15% from 1 January 2021 to 31 December 2030 under the relevant tax rules and regulations of PRC. In addition, certain of the subsidiaries in Mainland China are qualified as small and micro enterprises under the relevant tax rules and regulations of Mainland China.

Other than the above-mentioned subsidiaries, the other operating entities in Mainland China are subject to standard income tax rate of 25% pursuant to the corporate income tax law and related regulations.

## 8 LOSS PER SHARE

For the year ended 31 December 2024, the basic loss per share is RMB0.45 (2023: loss per share RMB1.08), which is calculated by dividing the loss attributable to equity holders of the Company RMB226,343,000 by the weighted average number of 500,799,000 ordinary shares outstanding during the financial year.

Diluted loss per share equals basic loss per share as there is no potential dilutive ordinary shares outstanding.

## 9 DIVIDENDS

At a meeting of Board held on 27 March 2025, the Board resolved not to propose a final dividend in respect of the year ended 31 December 2024. No dividends have been paid or declared by the Group during the year ended 31 December 2024.

## 10 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables from contracts with customers		
– Third parties	4,673	10,283
Less: allowance for impairment	(41)	(16)
	<u>4,632</u>	<u>10,267</u>

- (a) The Group usually receives the payment from customers in advance. The trade receivables are primarily the receivable from financial institutions or the third-party payment platforms which the customers have already settled their payment through financial institutions or the third party payment platforms. The credit term given to the third party payment platforms are determined on an individual basis with normal credit period within 30 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 3 months	4,202	9,326
3 to 6 months	141	941
6 months to 1 year	268	10
1-2 years	62	6
	<u>4,673</u>	<u>10,283</u>

## 11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued employee benefits	57,215	68,556
Trade payables	44,884	76,166
Tax payables	15,911	17,201
Refund liabilities	13,680	12,009
Accrued expenses	7,682	15,037
Security deposits	4,837	12,666
Note payable	–	3,250
Others	5,209	5,988
	<u>149,418</u>	<u>210,873</u>

- (a) Ageing analysis of trade payables based on invoice date at the end of each reporting period are as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	39,838	54,618
3 to 6 months	2,645	15,872
6 months to 1 year	615	2,727
1 to 2 years	1,286	1,051
Over 2 years	500	1,898
	<u>44,884</u>	<u>76,166</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

As the leading medical group in China specialising in hair-related healthcare services, we offer one-stop hair-related healthcare services covering hair transplant, medical hair care, routine hair restoration and other ancillary services. Having been focused on the hair-related healthcare service market, we have built a brand matrix for the full industry chain which is centered on our “Yonghe Medical” (雍禾醫療) and comprised of “Yonghe Hair Transplant” (雍禾植髮) for our professional hair transplant service, “Svenson” (史雲遜) for our medical hair care service, “Yonghe Fa Zhi Chu” (雍禾髮之初) for our female aesthetic hair transplant service, and “Harvard” (哈髮達) for our medical wig products. As at 31 December 2024, we operated 66 hair transplant clinics in 63 cities nationwide, and 8 hair care centers under the brand of Svenson in Shanghai, Guangzhou and Shenzhen, making us the largest hair-related healthcare clinic chain in China in terms of scale and geographical coverage. During the Reporting Period, the total number of patients we served was over 120,000.

The following map illustrates the relevant information of our clinic network as at 31 December 2024:



The following table illustrates the distribution of our clinics/stores by city tier\*:

	Year ended 31 December	
	2024	2023
Yonghe Hair Transplant clinics		
Tier-one cities	6	6
New tier-one cities	17	17
Tier-two cities	29	31
Tier-three cities	13	20
Hong Kong	1	1
Subtotal	<u>66</u>	<u>75</u>
Stand-alone Svenson stores		
Shenzhen	4	6
Guangzhou	2	4
Shanghai	2	2
Beijing	–	1
Subtotal	<u>8</u>	<u>13</u>
<b>Total</b>	<b><u>74</u></b>	<b><u>88</u></b>

\* Note: Since the list of city rankings varies in different years, the figures set forth in this table are based on the list released for the corresponding periods.

The Group significantly improved operational efficiency by optimising the store network, strategically closing and consolidating underperforming stores, and reallocating resources to core stores. This approach not only enhanced the robustness of the overall business, but also ensured efficient utilisation of resources, further reinforcing our market competitive strengths. For the year ended 31 December 2024, the Group had a revenue of RMB1,804.5 million, representing an increase of 1.5% as compared with that of RMB1,777.3 million for the same period in 2023. Gross profit was RMB1,084.2 million, representing an increase of 8.7% as compared with that of RMB997.2 million for the same period in 2023. Gross profit margin was 60.1%, representing an increase of 4.0 percentage points as compared with that of 56.1% for the same period in 2023.

The following table illustrates a breakdown of our revenue composition, gross profit and gross profit margin by service type for the periods indicated:

	Year ended 31 December							
	2024				2023			
	Revenue <i>RMB'000</i>	Gross profit %	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue <i>RMB'000</i>	Gross profit %	Gross profit <i>RMB'000</i>	Gross profit margin %
Hair transplant service	1,330,693	73.7	827,973	62.2	1,354,191	76.2	804,124	59.4
Medical hair care service	445,769	24.7	246,971	55.4	388,244	21.8	178,937	46.1
Others	28,036	1.6	9,268	33.1	34,823	2.0	14,125	40.6
<b>Total</b>	<b>1,804,498</b>	<b>100.0</b>	<b>1,084,212</b>	<b>60.1</b>	<b>1,777,258</b>	<b>100.0</b>	<b>997,186</b>	<b>56.1</b>

### ***Hair Transplant Service***

For the year ended 31 December 2024, our revenue from hair transplant service amounted to RMB1,330.7 million, accounting for 73.7% of our total revenue. We have always been committed to providing professional and high-quality hair transplant service to patients, with a goal to build brand influence among them for our “Yonghe Hair Transplant” (雍禾植髮) under our strategic hierarchical service system.

For the year ended 31 December 2024, the number of patients who received our hair transplant surgery was 59,655. In particular, the number of patients who received our “Yongxiang” (雍享) service increased significantly by 16.3% as compared with the same period of last year.

The table below illustrates the key operating data of our hair transplant service:

	<b>Unaudited Year ended 31 December 2024</b>	2023
Number of patients who received our hair transplant service	<b>59,655</b>	61,071
Average spending per hair transplant patient (RMB)	<b>22,306</b>	22,174

<b>Three levels of services</b>	<b>Number of patients</b>	<b>Percentage</b>	Number of patients	Percentage
Number of patients who received services from our business chiefs	<b>40,710</b>	<b>68.2%</b>	41,780	68.4%
Number of patients who received services from our business deans	<b>15,411</b>	<b>25.8%</b>	16,253	26.6%
Number of patients who received our “Yongxiang” (雍享) service*	<b>3,534</b>	<b>6.0%</b>	3,038	5.0%

\* Note: “Yongxiang” service includes the services from our Yongxiang chiefs and the services from our Yongxiang deans.

### ***Medical Hair Care Service***

For the year ended 31 December 2024, our revenue from medical hair care service amounted to RMB445.8 million, accounting for 24.7% of our total revenue. As a pioneer in China’s medical hair care industry, we have provided professional and customised diagnosis and treatment services to our patients through Svenson Medical Hair Care Centers in our hair transplant clinics under the “shop-in-shop” model. In order to further optimise resource allocation and service value, we strategically adjusted the product and package portfolio of our medical hair care service, and upgraded the original life-grade hair care package to a medical-grade combined treatment package, with the average spending per medical hair care patient increasing by 17.0% from RMB4,934 to RMB5,773 during the Reporting Period. Meanwhile, we improved our post-operative follow-up system to tailor-make exclusive post-operative hair care plans for customers, increasing the repurchase rate of medical hair care service to 28.4%. For the year ended 31 December 2024, the number of patients who received our medical hair care service was 77,222.

The table below illustrates the key operating data of our medical hair care service:

	<b>Unaudited As at 31 December 2024</b>	2023
Number of patients who received our medical hair care service	<b>77,222</b>	78,687
Average spending per medical hair care patient (RMB)	<b>5,773</b>	4,934
*Repurchase rate	<b>28.4%</b>	23.4%

\* Note: Calculated by the number of patients who purchased our medical hair care service more than once, divided by the total number of patients who purchased our medical hair care service during the period.

## BUSINESS UPDATES

### *Upgrading operational strategies to drive a leap in efficiency*

The Group has always been committed to promoting the high-quality development of hair-related healthcare services. During the Reporting Period, we continued to implement a series of strategic initiatives to strengthen our cost control mechanism, significantly enhance our operational efficiency and strengthen our profit potential.

First, the Group identified and addressed the differentiated needs in different regional markets through conducting in-depth data analyses and operational performance evaluations. Having considered the density of our clinic distribution, we carefully executed our consolidation strategy in the new and old clinic covered areas and appropriately extended the market inspection period for our start-up clinics so as to make our business decisions more precisely. In terms of hair transplant business, we effectively responded to market changes and fluctuations in consumer trends by continuously deepening the “fixed price” pricing strategy, further consolidating our market share in the hair transplant market. In addition, we launched an innovative programme named “Good Doctors are Around” to deliver medical checks to break geographical limitations, promote the balanced distribution of high-quality medical resources, and enable patients to access high standard medical services more conveniently.

Amid the provisional changes in economic environment and market demand, we took a relatively prudent approach to clinic establishment, which has not only allowed us to meet diverse market needs precisely but also made the layout of the Group’s clinic network far more scientific and rational and ensured the optimal deployment and utilisation efficiency of our medical resources. These visionary management and service upgrades have demonstrated the excellent operational resilience and adaptability of the Group, further strengthening our competitiveness and leadership in the hair-related healthcare sector.

The following table illustrates a breakdown of the number of our hair transplant clinics by development stage\* for the periods indicated:

	As at 31 December	
	2024	2023
Mature-stage clinics	52	47
Developing-stage clinics	13	12
Newly-established clinics	1	16
<b>Total</b>	<b>66</b>	<b>75</b>

\* *Note: We categorise our clinics based on three development stages, namely mature-stage clinics, being those that have been established for more than three years; developing-stage clinics, being those that have been established for one to three years; and newly-established clinics, being those that have been established for less than one year. For acquired clinics, we regard the dates when their financial positions and results of operations are consolidated into the Group as their respective opening dates.*



## ***Optimising women’s branding strategies with improved quality of medical services***

The Group has always been committed to promoting high-quality development of hair-related healthcare services. During the Reporting Period, the Group upgraded its brand through the strategy of “good doctor + good system”, leading the industry into the hair transplant 3.0 era. Firmly underpinned by the “good doctor” strategy, we stressed the importance of providing professional training and assessments to our physicians for enhancing the communication efficiency between our physicians and patients with the help of tiered services and intelligent diagnosis and other means and further optimising the quality of our medical services. Meanwhile, the Group adjusted the operation mode of the female business, optimised the development strategy of the “Fa Zhi Chu” brand, promoted the implementation of its multi-department operation mode in first- and second-tier cities, and established and independently operated female departments in core clinics, which led to a notable year-on-year increase in revenue from the female business. In the field of no-shave hair surgery, the Group significantly improved the positive feedback rate of the female clientele through regular special training for doctors and the improvement of the quality of surgery, resulting in a significant increase in the proportion of the no-shave hair business.

Having always persisted in the healthcare-oriented service concept, we adhered to the principle of “treat with medical care and deliver with beauty” emphasising that professional physicians play an important role in the provision of hair-related healthcare services, enabling us to further consolidate the leadership of the Group and lead the hair-related healthcare industry toward high-quality development. As at 31 December 2024, the Group has built a professional medical team consisting of 1,401 members:

	<b>As at 31 December 2024</b>
Our professional team	<b>1,401</b>
– Physicians	<b>242</b>
– Nurses	<b>1,069</b>
– Other medical professionals (including pharmacists and clinical scientists)	<b>90</b>

During the Reporting Period, we entered into strategic cooperation agreements with a number of outstanding pharmaceutical companies respectively for the purposes of integrating the core competitiveness and deepening the cooperation in the areas of hair loss prevention and control and hair transplantation between two sides to jointly promote innovation and upgrade in the hair-related healthcare industry. By fully capitalising on the unique positioning of our medical services and our professional advantages and combining the advanced technologies, market channels and brand effects of our partners, we reshaped the competitive landscape in the industry and explored and implemented an innovative four-in-one model of “research and development – production – sales – application”, which allowed us to entirely meet diverse consumer demands and offer better, safer and more personalised hair health solutions. In addition, we further maintained close cooperative bonds with a number of reputable medical schools and Grade 3A hospitals. We joined forces with them to drive development of the hair-related healthcare sector through various academic seminars and joint scientific research projects.

### ***Pursuing refined marketing strategy for brand value enhancement***

In order to adapt to market changes and higher consumer aspirations, the Group continued to pursue its brand refreshment and refined marketing strategies. During the Reporting Period, we adopted the following approaches to continue to strengthen our “Yonghe” brand positioning, optimise our marketing process and technological empowerment, which continued to drive business growth and brand value enhancement:

The Group has built a private domain traffic ecosystem through the construction of a dual wheel drive model of “group large and middle platforms + regional small and middle platforms”, which has comprehensively improved the management of users throughout their whole life cycle. We continue to build an AI intelligent service matrix and professional content system, and have launched an AI hair health self-test tool, which has significantly increased the user conversion rate. The online popularization of hair knowledge, such as the “Famous Doctor Lecture” in collaboration with 100 doctors, has effectively enhanced users’ trust and brand awareness.

Through “Hefan”, the self-developed CRM system, the Group has achieved full-link automation and intelligent management of leads, improved the follow-up efficiency of the sales team, and significantly increased the customer conversion rate. The introduction of intelligent quality inspection technology improved the communication efficiency and service quality; through precise resource allocation and hierarchical operation, both of users’ clinic visit efficiency and the marketing ROI were significantly enhanced, which effectively controlled customer acquisition costs.

As to our content marketing strategy, the Group adopted a marketing approach integrating multiple channels and touchpoints to reach its target customer group from all directions through optimised sales process. During the Reporting Period, with the use of our data analysis and precise investment, we achieved a higher conversion rate while controlling our marketing costs. We further improved our standardised operational management system for users in the private domain, enabling precise reach to our tiered customers. We also strengthened our post-operative tracking services which enhanced the loyalty and attachment of customers to us and raised the standards of our overall customer relationship management.

### ***Adherence to technological innovation and continued promotion of smart technology development***

Both innovation and application of digital technology are important means of increasing operational efficiency and enhancing customer experience. Driven by the wave of digitalisation, the Group completed its digital transformation in 2024. With “data-driven and intelligent collaboration” as the core, it introduced large language models (LLM) to empower the whole-life cycle of its businesses. We managed to increase our operational efficiency and enhance our customers’ experience while lowering our operating costs and made substantial progress in the development of information and digital technology by taking the following initiatives:

In the area of artificial intelligence (AI) Agent, the Group spearheaded industry innovation, integrating AI technologies into business pilots with remarkable results. We have built an enterprise intelligent knowledge base engine to form an intelligent solution for the full links of “data – knowledge – decision”, and have made important breakthroughs in smart labelling, intelligent summarisation, intention prediction, scalp image symptom recognition, and medical knowledge popularisation, significantly improving customer satisfaction. We have built group-wide data middle-office services to break down the data silos of each system and achieve unified data management. We have fully mined the data and quickly and accurately refined user portraits and labels by integrating with AI intelligent tools. Meanwhile, based on the massive data, we have achieved real-time analysis and decision-making support for all-round business data, providing a precise basis for strategic formulation.

In connection with the development of information technology for clinic operation, “Hefan”, the Group’s self-developed chain medical system, has been fully promoted and implemented, which includes five closed-loop processes of user, hospital affairs, medical affairs, transaction and inventory management, realising refined management of efficiency improvement, quality control, revenue increase and cost reduction, and greatly improving operational efficiency. The system also fully digitises process nodes such as patient files, outpatient records, prescriptions, medical documents, and goods in-and-out-of-storage, realising “paperless” office in medical institutions. It not only improves patients’ medical experience, but also enhances the security of data storage and the convenience of use.

These measures mark a solid step for us to move forward to digital and efficient operations, achieving a deep integration of technology empowerment, efficiency leap and value reconstruction, and enabling us to become a benchmark enterprise in industry digitalisation.

## **PROSPECTS**

The hair-related healthcare services market is in a stage of rapid development with huge unmet market demand and enormous growth potential. According to the report of “Research on Hair-related Health Service Industry of China for 2024” released by Frost & Sullivan and Leadleo Research Institute, the hair-related health market in China has continued to grow in recent years, from RMB58.29 billion in 2020 to RMB79.55 billion in 2023, and is anticipated to reach RMB116.54 billion by 2028. We expect that there will be an increasing number of patients in demand of alopecia treatment and hair restoration service. Leveraging our efforts in building a one-stop platform for hair-related healthcare services and taking advantage of the favourable industry prospect, the Group’s market-leading position and its established brand recognition, we believe that we are well-positioned to capture great opportunities in this fast-growing market and will maintain continuous growth in a virtuous circle.

### ***Refined clinic operation with reduced costs and increased efficiency***

While adhering to the core value of maintaining medical service quality, the Group will continue to deepen its refined operation strategy and promote the efficient development of various core businesses. We will increase investment in the following aspects to optimise the operating structure and further improve the overall business efficiency:

In the future, the Group will continue to accelerate the refined operation of multiple departments and continue to promote the construction of one-stop hair-related diagnosis and treatment capabilities to improve service coverage and diagnosis and treatment efficiency. We will further optimise the construction of female departments and continue to increase the penetration of female aesthetic design and no-shave surgery to meet the growing needs of the female market. By improving our ability to provide personalised services to customers with differentiated needs, we will further consolidate our competitive advantages in various market segments.

In order to effectively control treatment costs and improve treatment outcomes for customers, the Group will accelerate the construction of hair loss departments in some cities. By launching medical care products for young customers who are in the early stages of hair loss, with mild hair loss, or not suitable for hair transplant, we can intervene in advance and shorten the treatment cycle, thereby improving customers' clinic visit and treatment experience. Through this initiative, the Group will enhance its market competitiveness and further improve customer treatment satisfaction and loyalty.

In addition, we will continue to optimise and upgrade the salary system, performance appraisal system and internal development system to enhance the attractiveness to outstanding talents inside and outside the industry, and improve employee enthusiasm and labor efficiency. We will promote the accurate identification and rapid promotion of high-potential talents through digital assessment system and optimise the elimination mechanism; in terms of organisational structure, we will strengthen the reserve of versatile talents through comprehensive trainings on general skills and promote the re-arrangement of personnel across multiple positions. We will also push forward the reform of flattening management structure to improve communication and execution efficiency. These measures will help the Group to continuously improve its organisational effectiveness and provide strong support for sustainable business growth.

### ***Continuous reinforcement in operational capability and medical service capability***

Amid continuous industry advancement and escalating expectations from patients, we will continue to enhance our service quality to meet diverse market demands. We will strive to increase patients' confidence, satisfaction and loyalty by providing better medical services, so as to boost good word-of-mouth reputation and continued business growth. To further reinforce the Group's operational and medical service capabilities, we will implement the following strategies:

Firstly, the Group will continue to promote precise and hierarchical operation and optimise product structure to meet the diverse needs of customers of different ages, genders and consumption levels. As our customer base diversifies, we will conduct in-depth research on the care needs of different groups, develop a more personalised product system, and further enhance customer stickiness and loyalty. Through precise market positioning and upgraded product structure, we will drive the sustained growth of membership business and diversify income streams of the Group.

Secondly, the Group will increase its investment in the research and development and marketing of hot care products to attract more new customers and expand the membership pool of hair care customers. At the same time, through refined management and personalised treatment solutions, we will continue to improve the hair care effect, thereby promoting customers for continuous purchases. This strategy can not only increase customer satisfaction and loyalty, but also extend customer lifetime value, providing a continuingly driving force for the Company's high-quality and sustainable development.

Furthermore, in terms of the quality of surgery and medical services, we will leverage advanced technologies and intelligent evaluation systems to further improve surgical efficiency and quality. Through real-time monitoring and data analysis of various indicators during whole operations, we will ensure the effectiveness and safety of operations, while providing feedback and support for the professional growth of doctors. In the future, the Group will strengthen medical quality management, improve the comprehensive capabilities and diagnosis and treatment levels of its medical team, and further enhance the professionalism of medical services and industry competitiveness.

Lastly, the Group will continuously intensify its compliance management to ensure regulated and standardised medical services. We will strengthen our risk control measures and improve our various contingency plans so as to enhance our emergency response and handling capabilities for safeguarding our patients' safety and maintaining the stable operation of the Group. We are also confident that these initiatives will significantly enhance the Group's competitive strengths in the field of hair transplant service, driving the sustainable development and long-term value enhancement of the Group while consolidating its leadership in the industry.

### ***Adherence to technology-oriented operation by promoting digital and smart services***

Adhering to technology-oriented operation presents us a unique advantage that differentiates us from other hair-related healthcare service providers, enables us to further improve patients' experience, enhance patients' loyalty, solidify our leading position in keenly competitive market environment, and provide continued momentum for our future growth. In 2025, we will continue to deepen "digitalisation and intelligence" by taking the following initiatives, and achieve a closed loop and establish the perfect service experience for consumers by focusing on the whole-life cycle of consumers, aiming at "improving efficiency, strengthening professionalism, and innovating and changing", and enabling the entire process of services through intelligent applications:

- **Building new service scenarios:** We will build the "Hefan" mobile workbench. We will build new service scenarios on core modules such as in-hospital reception, transactions, customer management, and medical services, and improve the Group's AI intelligent system.
- **Smart AI model empowering business:** We will establish Yonghe's own intelligent applications around intelligent customer services, knowledge base engine, precise user portraits, prediction data analysis, process automation and hair image recognition technology.
- **Strengthening the private domain marketing system:** Leveraging AI models, we will continuously optimise the intelligent CRM system and realise intelligent application scenarios such as sales lead follow-up, customer service analysis, and smart sales funnels. In addition, through the accumulation and analysis of big data from intelligent applications, we will provide valuable business insights to support operational decisions at the group level.
- **Implementing smart hardware and establishing technological medical treatment:** We will promote the full implementation of "smart hair inspection instruments" and "smart photo studios" in nation-wide chain institutions. At the same time, we will integrate intelligent AI technologies to achieve smart line drawing, one-click simulated hair growth and other technologies to establish technological medical experience for patients and improve medical efficiency and customer satisfaction.

Moving forward, the Group will firmly take technological innovation as the driver for further accelerating its transitioning to digital and smart operations, continually optimising its operational efficiency and strengthening its capabilities in providing medical services. Through in-depth integration of technology and management, we anticipate to provide patients with more precise and efficient medical services, thereby further enhancing our brand influence and market competitiveness, and materialising the Group's goal of achieving sustainable development.

## FINANCIAL REVIEW

### Revenue

In 2024, the Group had a revenue of RMB1,804.5 million (2023: RMB1,777.3 million), representing an increase of 1.5% over last year. The Group's revenue is mainly derived from (i) hair transplant service; (ii) medical hair care service; and (iii) others.

The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Hair transplant service	1,330,693	73.7	1,354,191	76.2
Medical hair care service	445,769	24.7	388,244	21.8
Others	28,036	1.6	34,823	2.0
<b>Total</b>	<b>1,804,498</b>	<b>100.0</b>	<b>1,777,258</b>	<b>100.0</b>

### *Revenue from hair transplant service*

The Group's revenue from hair transplant service was RMB1,330.7 million (2023: RMB1,354.2 million) for the year ended 31 December 2024, representing a decrease of 1.7% over last year. Such decrease in revenue from hair transplant service was primarily attributable to the decreased number of our patients. The number of hair transplant patients served by the Group decreased by 2.3% from 61,071 in 2023 to 59,655 in 2024 and the average spending per hair transplant patient increased from RMB22,174 in 2023 to RMB22,306 in 2024.

### *Revenue from medical hair care service*

The Group's revenue from medical hair care service was RMB445.8 million (2023: RMB388.2 million) for the year ended 31 December 2024, representing an increase of 14.8% over last year. Such increase in revenue from medical hair care service was primarily attributable to the increased average spending per patient. The number of medical hair care patients served by the Group decreased by 1.9% from 78,687 in 2023 to 77,222 in 2024 and the average spending per medical hair care patient increased by 17.0% from RMB4,934 in 2023 to RMB5,773 in 2024.

## ***Revenue from others***

The Group's revenue from other services mainly derived from the rendering of services and sales of goods by our stand-alone Svenson stores for routine services, which amounted to RMB28.0 million in 2024 (2023: RMB34.8 million).

## **Costs**

During the Reporting Period, the Group's cost of sales and services primarily consisted of staff costs, amortisation and depreciation charges, cost of inventories and consumables, operation related expenses and other expenses. The following table sets forth a breakdown of our cost of sales and services by nature for the years indicated:

	<b>Year ended 31 December</b>			
	<b>2024</b>		<b>2023</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
Staff costs	<b>272,080</b>	<b>37.8</b>	297,149	38.1
Amortisation and depreciation charges	<b>286,285</b>	<b>39.7</b>	304,217	39.0
Cost of inventories and consumables	<b>104,505</b>	<b>14.5</b>	123,286	15.8
Operation related expenses	<b>36,012</b>	<b>5.0</b>	39,203	5.0
Other expenses	<b>21,404</b>	<b>3.0</b>	16,217	2.1
<b>Total</b>	<b><u>720,286</u></b>	<b><u>100.0</u></b>	<b><u>780,072</u></b>	<b><u>100.0</u></b>

In 2024, the Group incurred costs of RMB720.3 million (2023: RMB780.1 million), representing a decrease of 7.7% over last year. In particular, staff costs represent the salaries, wages and bonuses paid to physicians, nurses and other professionals. The decrease in staff costs was mainly attributable to the reduction in stores and optimisation of the structure of the professional medical team. Amortisation and depreciation charges mainly represent the depreciation of our right-of-use assets and fixed assets, the decrease of which was due to the strategy of closing and integrating inefficient stores during this year. Cost of inventories and consumables mainly represents the expenditure on consumables for hair transplant and medical hair care services, the decrease of which was mainly due to the cost reduction as a result of our optimisation of inventory cost structure and scale procurement.

## **Gross profit and gross profit margin**

In 2024, the Group recorded a gross profit of RMB1,084.2 million (2023: RMB997.2 million), representing an increase of 8.7% over last year. Our gross profit margin was 60.1% (2023: 56.1%).

## Other income

The Group's other income mainly consists of government grants and additional value-added tax credit. In 2024, the Group had other income of RMB1.6 million (2023: RMB2.1 million).

## General and administrative expenses

During the Reporting Period, the Group's general and administrative expenses primarily consist of (i) staff costs, which represent wages, benefits and bonuses of our administrative staff; (ii) operation related expenses, which primarily include conference fees, utilities and maintenance fees; (iii) amortisation and depreciation charges; (iv) professional and consulting service fees incurred in relation to audit services, rental agencies and internet services; and (v) travelling and business entertainment expenses. The following table sets forth a breakdown of our general and administrative expenses by nature for the years indicated:

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff costs	<b>190,949</b>	<b>66.9</b>	247,605	66.1
Operation related expenses	<b>19,525</b>	<b>6.8</b>	29,824	8.0
Amortisation and depreciation charges	<b>16,118</b>	<b>5.7</b>	17,366	4.6
Professional and consulting service fees	<b>15,891</b>	<b>5.6</b>	19,256	5.1
Travelling and entertainment expenses	<b>11,223</b>	<b>3.9</b>	17,822	4.8
Others	<b>31,558</b>	<b>11.1</b>	42,446	11.4
<b>Total</b>	<b><u>285,264</u></b>	<b><u>100.0</u></b>	<b><u>374,319</u></b>	<b><u>100.0</u></b>

In 2024, the Group incurred general and administrative expenses of RMB285.3 million (2023: RMB374.3 million). Such decrease in general and administrative expenses was mainly attributable to enhanced management efficiency and the streamlining of our group organisational structure.



## Selling and marketing expenses

During the Reporting Period, our selling and marketing expenses primarily consist of marketing and promotion expenses, staff costs, etc. The following table sets forth a breakdown of our selling and marketing expenses by nature for the years indicated:

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Marketing and promotion expenses	<b>623,733</b>	<b>69.1</b>	722,885	69.2
Staff costs	<b>239,678</b>	<b>26.6</b>	264,161	25.3
Amortisation and depreciation charges	<b>12,807</b>	<b>1.4</b>	13,257	1.3
Travelling expenses	<b>10,935</b>	<b>1.2</b>	20,030	1.9
Operation related expenses	<b>6,535</b>	<b>0.7</b>	13,282	1.3
Others	<b>8,704</b>	<b>1.0</b>	10,758	1.0
<b>Total</b>	<b><u>902,392</u></b>	<b><u>100.0</u></b>	<b><u>1,044,373</u></b>	<b><u>100.0</u></b>

In 2024, the Group incurred selling and marketing expenses of RMB902.4 million (2023: RMB1,044.4 million). The decrease in marketing and promotion expenses was mainly attributable to the optimisation of resource allocation and the implementation of refined marketing strategy.

## Earnings/(losses) before interest, taxes, depreciation and amortisation

In 2024, the Group incurred earnings before interest, taxes, depreciation and amortisation of RMB141.0 million (2023: losses before interest, taxes, depreciation and amortisation of RMB183.6 million), representing a year-on-year increase of RMB324.6 million.

Reconciliations to earnings/(losses) before interest, taxes, depreciation and amortisation are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Reconciliations of loss for the year to earnings/(losses) before interest, taxes, depreciation and amortisation:</b>		
<b>Loss for the year</b>	<b>(226,569)</b>	(546,684)
Income tax credit	<b>(28,722)</b>	(38,535)
Finance income	<b>(10,615)</b>	(12,701)
Finance costs (including discount and amortisation of lease liabilities)	<b>41,217</b>	66,170
Depreciation of right-of-use assets	<b>154,963</b>	168,337
Impairment losses on right-of-use assets*	<b>1,245</b>	–
Depreciation of property, plant and equipment	<b>157,106</b>	164,562
Impairment losses on property, plant and equipment*	<b>45,102</b>	13,297
Amortisation of intangible assets	<b>3,141</b>	1,941
Impairment losses on intangible assets*	<b>4,156</b>	–
	<hr/>	<hr/>
<b>Earnings/(losses) before interest, taxes, depreciation and amortisation</b>	<b>141,024</b>	(183,613)
	<hr/> <hr/>	<hr/> <hr/>

\* *Impairment charges included as adjustment items in earnings/(losses) before interest, taxes, depreciation and amortisation primarily resulted from our impairment evaluation of non-financial assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these non-financial assets were not impaired, depreciation of the assets would have been recorded as an adjustment item in earnings/(losses) before interest, taxes, depreciation and amortisation. Therefore, impairment charges were a non-cash item similar to depreciation and amortisation of non-current assets.*

### **Income tax credit**

In 2024, the Group's income tax credit was RMB28.7 million compared to the income tax credit of RMB38.5 million in 2023. The change in income tax credit was primarily attributable to the decrease in loss for the year.

### **Net loss and net loss margin**

In light of the foregoing, the Group's net loss decreased from RMB546.7 million in 2023 to RMB226.6 million in 2024. The Group's net loss margin decreased from 30.8% in 2023 to 12.6% in 2024.

## Liquidity and Capital Resources

As at 31 December 2024, cash and cash equivalents of the Group amounted to RMB487.8 million (31 December 2023: RMB603.2 million). As at 31 December 2024, total bank borrowings of the Group amounted to RMB50.1 million (31 December 2023: RMB152.8 million).

Taking into account the cash flows generated from operating activities, the banking facilities available to the Group and the net current assets of approximately RMB84.1 million as at 31 December 2024, the Directors believe that the Group has sufficient capital to meet its working capital requirements and foreseeable capital expenditure.

### Cash flows

The following table sets forth selected data of the Group's consolidated statements of cash flows for the years indicated:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	<b>228,615</b>	(17,153)
Net cash (used in)/generated from investing activities	<b>(53,261)</b>	245,582
Net cash used in financing activities	<b>(290,717)</b>	(185,204)
Cash and cash equivalents at beginning of the year	<b>603,215</b>	565,093
Exchange losses on cash and cash equivalents	<b>(10)</b>	(5,103)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	<b><u>487,842</u></b>	<b><u>603,215</u></b>

As at 31 December 2024, the Group had cash and cash equivalents of RMB487.8 million (31 December 2023: RMB603.2 million). We have robust cash flows which are adequate to meet the capital requirements for daily operation and for our strategic plan of future.

## Capital expenditures

The Group's capital expenditures mainly represent payments for purchase of items of property, plant and equipment and intangible assets. The following table sets forth a breakdown of our capital expenditures for the years indicated:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Payments for property, plant and equipment	45,661	159,192
Payments for intangible assets	8,101	12,123
<b>Total</b>	<b>53,762</b>	<b>171,315</b>

In 2024, the Group incurred capital expenditures of RMB53.8 million (2023: RMB171.3 million).

## Inventories

As at 31 December 2024, the Group had inventories of RMB40.5 million (31 December 2023: RMB76.0 million).

## Trade and other payables

As at 31 December 2024, the Group had trade and other payables of RMB149.4 million (31 December 2023: RMB210.9 million).

## Indebtedness

The Group's indebtedness mainly includes bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness for the years indicated:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>		
Bank borrowings	50,051	152,816
Lease liabilities	150,551	170,044
	<u>200,602</u>	<u>322,860</u>
<b>Non-current</b>		
Lease liabilities	466,531	772,693
	<u>466,531</u>	<u>772,693</u>
<b>Total</b>	<u><u>667,133</u></u>	<u><u>1,095,553</u></u>

### Bank borrowings

As at 31 December 2024, the Group had outstanding interest-bearing bank borrowings of RMB50.1 million (31 December 2023: RMB152.8 million). Our bank loans bear interest at rates ranging from 2.9% to 3.4% per annum (2023: 2.6% to 3.4%).

### Lease liabilities

The Group recognises a lease liability with respect to all leases, except for short-term leases and leases of low value assets. As at 31 December 2024, the Group (as lessee) had total lease liabilities of RMB617.1 million (31 December 2023: RMB942.7 million), which were unsettled for the remaining terms of the relevant lease agreements.

### Contingent liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

### Future plan for material investments and capital assets

Save as disclosed in the Prospectus, as at 31 December 2024, the Group did not have any future plan for material investments and capital assets.

## **Material acquisitions and disposals**

During the year ended 31 December 2024, the Group did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

As at 31 December 2024, the Group did not hold any significant investments in the equity interests of any other companies.

## **Charge of assets**

There was no charge on the Group's assets as at 31 December 2024 (31 December 2023: Nil).

## **Gearing ratio**

Gearing ratio is calculated using bank loans and other borrowings divided by total equity as of the end of such year and multiplied by 100%. As at 31 December 2024, the Group's gearing ratio was 7.0% (31 December 2023: 16.2%).

## **Exchange rates and any related hedges**

The Group has no significant foreign currency risk as its operations, assets and liabilities are mainly denominated in RMB which is also the functional currency of the Company. As at 31 December 2024, the Group had the cash and cash equivalents of RMB5.8 million denominated in foreign currencies, mainly USD (31 December 2023: RMB13.2 million, mainly HKD). We monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2024, the Group had a total of 3,549 employees, among which 1,401 employees were our professional medical team members. Staff costs were RMB722.9 million for the year ended 31 December 2024, as compared to RMB835.1 million for the year ended 31 December 2023.

The Group continues to provide competitive compensation packages, attractive promotion opportunities, diverse training courses and a professional working environment to its employees. The Group remunerates the employees based on industry practices and individual's performance and experience. Remuneration packages primarily comprise of basic salary, performance-based compensation and/or discretionary bonus. As required by PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension, medical, maternity, work-related injury and unemployment insurances.

## **FINAL DIVIDEND**

The Board has resolved not to declare any final dividend for the year ended 31 December 2024.

## **ANNUAL GENERAL MEETING**

The AGM will be held on 20 June 2025. A notice convening the AGM will be published on the websites of the Company ([www.yonghegroup.cn](http://www.yonghegroup.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and despatched to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 17 June 2025 to 20 June 2025 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on 16 June 2025.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

During the Reporting Period, the Company has complied with all the applicable principles and code provisions as set out in the CG Code except for the deviation from provision C.2.1 of the CG Code. Mr. ZHANG Yu is the Chairman and chief executive officer of the Company. With extensive experience in the hair health industry and having served in the Company since its establishment, Mr. ZHANG Yu is in charge of the overall strategic planning, business direction and operational management of the Group. The Board considers that vesting the roles of the Chairman and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Mr. ZHANG Yu), one non-executive Director and three independent non-executive Directors, and therefore has a strong independent element in its composition.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the Reporting Period.

## SUBSEQUENT EVENTS

Save as disclosed in this announcement, there was no significant event that might affect the Group after the Reporting Period.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE IN USE OF PROCEEDS

The Company issued 94,424,000 Shares in the global offering at HK\$15.80 which were listed on the Main Board of the Stock Exchange on 13 December 2021 and subsequently issued 7,124,500 Shares at HK\$15.80 per Share upon partial exercise of the over-allotment option on 5 January 2022. The net proceeds received by the Company, after deducting related underwriting fees and expenses payable by the Company in connection with the global offering, were approximately HKD1,526.2 million (the “Net Proceeds”).

On 30 March 2023 and 22 August 2024, the Board resolved to change the use of the unutilised Net Proceeds. Please refer to the Prospectus and the announcements of the Company dated 30 March 2023 and 22 August 2024 for details.

On 22 August 2024, the Board resolved to further change the use of the unutilised Net Proceeds. As at 22 August 2024, the unutilised Net Proceeds amounted to approximately HKD500.1 million. An analysis of actual use of proceeds during the year ended 31 December 2024 and the proposed change in the use of the unutilised Net Proceeds, as well as the expected timeline for full utilisation, is set out as below:

Use of proceeds	Planned applications <sup>(2)</sup> <i>HK\$ million</i>	Amount	Amount	Revised	Amount	Amount	Expected timeline for full utilisation <sup>(1)</sup>
		unutilised as at 31 December 2023 <i>HK\$ million</i>	unutilised as at 22 August 2024 <i>HK\$ million</i>	amounts of unutilised Net Proceeds as at 22 August 2024 <i>HK\$ million</i>	utilised for the year ended 31 December 2024 <i>HK\$ million</i>	unutilised as at 31 December 2024 <i>HK\$ million</i>	
1 To expand and upgrade existing hair transplant clinics in our network in China	64.7	-	-	-	-	-	N/A
2 To fund our innovations in product and service offerings	222.3	149.4	128.6	88.6	31.1	78.3	By December 2025
3 For investment in research and development to upgrade our service system with cutting-edge technology	136.1	105.0	89.2	38.2	23.8	30.2	By December 2025
4 To integrate industry resources to raise brand awareness in China	378.3	282.3	282.3	122.3	9.9	112.4	By December 2025
5 To settle the outstanding balance of the acquisition consideration payable for our acquisition of Nu/Hart Hair	-	-	-	-	-	-	N/A
6 For our working capital and general corporate purposes	24.2	-	-	251.0	162.6	88.4	By December 2025
<b>Total</b>	<b>825.6</b>	<b>536.7</b>	<b>500.1</b>	<b>500.1</b>	<b>227.4</b>	<b>309.3</b>	



*Notes:*

- (1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.
- (2) Representing the revised planned application of unutilised Net Proceeds, following the change in use of proceeds announced in 30 March 2023.

As disclosed in the announcement of the Company dated 22 August 2024, the reasons and benefits for the change in the use of proceeds are summarised as follows:

- 1) The Company's collaboration with pharmaceutical companies to innovate medical care products has resulted in a significant reduction in related research and development costs. Therefore, HKD40.0 million of the net proceeds will be reallocated to working capital from the category of "To fund our innovations in product and service offerings".
- 2) The Group's investment in research and development and advanced technology to upgrade the service system has led to decreased costs for building the data analysis team, and the construction of intelligent hospitals has largely been completed. Therefore, HKD51.0 million 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".
- 3) Due to the economic environment, the Company has slowed the pace of institutional expansion and closed some self-operated clinics to reduce costs. The Group also expects to temporarily halt the acquisition of regional non-chain hair transplant institutions. 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 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 are 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.

Please refer to the announcement of the Company dated 22 August 2024 for further details.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, the Company has repurchased a total of 1,756,000 Shares of the Company on the Stock Exchange, representing 0.33% of the total share capital (excluding treasury shares and share repurchased but not cancelled) of the Company as at 31 December 2024. The total amount paid was approximately HK\$2,104,955 (excluding transaction fees).

The monthly report on Shares repurchase was as follows:

Month of repurchase	Number of shares repurchased	Price per share		Total amount (HK\$)
		Highest (HK\$/per share)	Lowest (HK\$/per share)	
January 2024	216,000	2.05	1.90	426,425
April 2024	702,500	1.21	0.92	772,760
May 2024	642,500	1.27	1.05	747,145
June 2024	47,000	1.15	1.01	51,790
July 2024	15,000	0.84	0.81	12,450
August 2024	100,000	0.67	0.63	65,780
December 2024	33,000	0.90	0.84	28,605

The Board believes that repurchase of shares under the current market conditions will demonstrate the Company's confidence in the development and prospects of its business and will ultimately benefit the Company and create a return of value for the Shareholders, which is in the interests of the Company and the Shareholders as a whole. The repurchase of shares has been carried out in accordance with the repurchase mandate granted to the Board at the 2023 and 2024 annual general meetings of the Company.

On 14 June 2024, the Company has cancelled 1,561,000 Shares repurchased from 18 January 2024 to 31 May 2024 and 47,000 shares repurchased from 3 June 2024 to 12 June 2024 have not been cancelled yet. As of 31 December 2024, 148,000 Shares repurchased are not cancelled and have been held by the Company as treasury shares (as defined under the Listing Rules). During the Reporting Period, the Company did not sell or transfer any treasury shares.

Save as set forth above, during the Reporting Period, the Group and any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company (including sale of treasury shares (as defined under the Listing Rules)).

## **AUDIT COMMITTEE**

The Board has established the Audit Committee which is chaired by an independent non-executive Director, Mr. CHAN Peng Kuan, and consists of a non-executive Director, Mr. GENG Jiaqi, and another independent non-executive Director, Mr. LI Xiaopei. The primary duties of the Audit Committee are to assist the Board by monitoring and evaluating the work of the external auditor, supervising the implementation of our internal audit system, reviewing and commenting on our financial reports and related disclosures, and other duties conferred by the Board.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the year ended 31 December 2024. The Audit Committee considers that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2024. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.yonghegroup.cn](http://www.yonghegroup.cn)), and the 2024 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## DEFINITIONS

<b>“AGM”</b>	annual general meeting of the Company
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Board” or “Board of Directors”</b>	the board of Directors of the Company
<b>“CG Code”</b>	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
<b>“Chairman”</b>	the Chairman of the Board
<b>“China” or the “PRC”</b>	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Company” or “the Company” or “we”</b>	Yonghe Medical Group Co., Ltd. (雍禾醫療集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on 17 September 2020
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HKD” or “HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing”</b>	the listing of the Shares on the Main Board on 13 December 2021
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
<b>“Main Board”</b>	Main Board of the Stock Exchange
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
<b>“Prospectus”</b>	the prospectus issued by the Company dated 1 December 2021
<b>“Renminbi” or “RMB”</b>	Renminbi Yuan, the lawful currency of the PRC

<b>“Reporting Period”</b>	the twelve-month period from 1 January 2024 to 31 December 2024
<b>“Shareholder(s)”</b>	holder(s) of Share(s)
<b>“Share(s)”</b>	ordinary share(s) with nominal value of US\$0.0000025 each in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“USD” or “US\$”</b>	United States dollars, the lawful currency of the United States of America
<b>“%”</b>	per cent

*In this announcement, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

By order of the Board  
**Yonghe Medical Group Co., Ltd.**  
**ZHANG Yu**  
*Chairman*

Hong Kong, 27 March 2025

*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.*