**The Q&A Summary of United Imaging Healthcare 1H2024 Earning Call**

**Qustion 1**

**What are the main factors affecting the gross margin improvement in the first half of 2024, which saw an increase of nearly 2 percentage points? How is the gross margin expected to evolve in the long term?**

Answer

In the first half of 2024, our overall gross margin increased by nearly 1.7 percentage points, reaching 50.37%. This improvement was driven by strong performance in both equipment and service businesses. The increase in equipment gross margin was primarily due to the optimization of our product mix and the growth in service revenue. High-end products, which have higher gross margins, continued to gain a larger share of total revenue, which helped boost the overall margin. In the CT product line, demand for mid-to-high-end products grew, and their revenue share further increased, continuing from the over 50% share achieved last year. The MR product line also performed exceptionally well, with its share of total equipment revenue rising by 4.6 percentage points to 37.09%, driven by an expansion in the share of higher-margin 3T and 5T products. In the molecular imaging (MI) product line, the equipment revenue share rose by 2.9 percentage points to 16.35%, and this line has a relatively high gross margin, contributing significantly to the overall margin improvement. Furthermore, service revenue also increased by 23.84% year-on-year, with a higher margin, and its growth, closely linked to the rising installed base, has provided continued positive support for our overall gross margin.

Additionally, supply chain optimization measures helped lower costs. We managed to reduce costs for certain key raw materials through effective procurement practices. In production and logistics, we implemented a series of management optimizations, including digitalization and quality management controls. These measures reduced damage during transport and delivery (DOA), which improved the efficiency of our supply chain. Finally, we leveraged our strengths in technology and core components to drive cost reductions and efficiency improvements through innovation in both technology and design.

These efforts collectively improved the overall efficiency of our supply chain operations. Looking forward, we expect continued positive trends in our gross margin as we further optimize our product mix, grow service revenue, and enhance supply chain efficiencies.

**Qustion 2**

**What is the current progress of the medical equipment upgrade projects promoted by the government? Has there been any change in the medical equipment tender and procurement trends in the domestic market for the second half of the year? How does the company view the centralized procurement of medical equipment conducted by certain provinces and cities?**

Answer:

The “Action Plan” for medical equipment upgrades includes significant efforts and long timeframes, which will have a profound impact on the healthcare system, industry structure, and medical

institutions at all levels in the next 2-3 years or even longer.

So far this year, the implementation of the equipment upgrade policy has led to delays in hospital procurement and tendering activities. However, looking ahead, we anticipate that in the next 2-3 years, the policy will gain momentum, with approval processes and financial investments accelerating as more execution experience is gained. We expect that in the second half of this year and into next year, the pace of implementing related plans and policies will speed up.

Regarding centralized procurement, large medical equipment is different from pharmaceuticals and consumables. It typically involves fewer units, complex configurations, and high costs, making it difficult to satisfy the needs of all levels of healthcare institutions through a single tender. Therefore, provinces may adopt a segmented approach to procurement based on actual needs.

On the company side, we believe that having a diverse product line is essential to responding effectively to various procurement needs and aligning with national policy calls. We are fully prepared to participate in all types of centralized procurement, especially in areas such as cost control, independent research and development of core components, and product diversity. Additionally, centralized procurement will likely adopt a direct sales model, significantly reducing our marketing costs. Overall, while centralized procurement presents challenges, it also offers significant opportunities for us.

**Qustion 3**

**After receiving NMPA approval, the company's 5T MR was also successfully approved by the FDA in May this year. What is the commercialization status of key products like the 5T MR, suspended DSA uAngio AVIVA, and the uMI Panorama series PET/CT? Are there any new products launching this year? What is the progress of overseas certifications?**

Answer:

Our company has consistently adhered to a dual-driven innovation strategy, focusing on technological innovation and clinical demand, and integrating technology and supply chains based on a platform development model to continuously improve research and development efficiency and enhance the capabilities and levels of our product technology platforms.

Regarding MR, our ultra-high field magnetic resonance uMR Jupiter 5T has gained a significant leading position in the ultra-high field MR market. Since its market launch, it has been successfully applied to nearly twenty top hospitals and universities, including Fudan Zhongshan Hospital, Peking Union Medical College Hospital, Wuhan Zhongnan Hospital, and Tsinghua University, thanks to its excellent technical performance and broad clinical applicability. In the first half of this year, the 5T MR was introduced to private hospitals for the first time, and it received FDA market access approval in May. Product registration in the European Union is also actively progressing.

Additionally, our suspended DSA uAngio AVIVA received NMPA registration certification in the first half of the year, and registration for overseas markets such as CE and FDA is underway. In some Southeast Asian countries, NMPA registration is a prerequisite for local registration, which has allowed us to participate more quickly in local tender activities and accelerate

commercialization in international markets. Compared to traditional suspended DSAs, our new DSA product supports more scanning angles and better motion trajectories, and it is equipped with a voice interaction system, greatly improving convenience for doctors. After its launch, uAngio AVIVA has already received new orders, further strengthening our competitiveness in the DSA segment.

In the MI field, our uMI Panorama series products have already gained market access in China, the United States, and the European Union, and registrations in South Korea, Japan, and Singapore have been completed. We expect to gain more new market access certificates in the second half of the year. The uMI Panorama series PET/CT systems, with key customers in China's top-tier hospitals and the U.S. market, have received widespread recognition from users for their product performance and innovation.

In the field of radiation therapy, we continue to invest in research and development, pushing forward technological innovations and entering a rapid development stage. In August this year, our integrated CT image-guided circular machine, uLinac Halos, received NMPA certification and was launched in China. Our radiation therapy-related software and quality control platforms have also been highly praised by users, marking our ongoing progress in the market for comprehensive radiation therapy solutions. Meanwhile, the FDA and CE registration processes for these products are also actively advancing.

Finally, in the first half of this year, a series of XR new products, such as the mobile surgical flat-panel C-arm uMC Reveal, were launched, further enhancing the product portfolio and market competitiveness of our XR product line. Our next-generation advanced imaging post-processing platform and workstations, the uOmnispace series, received NMPA, FDA, and CE market access certifications last year and this year, and have been deployed globally, including in China, the U.S., Europe, and India.

Overall, we will continue to launch new technologies, products, and services, with a focus not only on high-end and ultra-high-end products but also on empowering mid- and low-end products with advanced technologies. Our aim is to provide cost-effective solutions for grassroots healthcare institutions and improve the diagnostic and treatment capabilities and efficiency of healthcare institutions at all levels, meeting the public's healthcare needs.

**Qustion 4**

**Has the company observed any progress in the adjustment of imaging examination prices in response to the DRG/DIP policies? Will the implementation of DRG affect examination prices or volumes? Will it lead to pressure on hospital procurement prices?**

Answer:

Recently, the National Health Commission released the "2023 China Health and Health Development Statistical Bulletin," indicating that the total national healthcare expenditure in 2023 was estimated at 9.06 trillion yuan, with a year-on-year growth of 6.15%. Over the period from 2013 to 2023, the compound annual growth rate (CAGR) was 11.08%. While domestic healthcare spending has consistently outpaced GDP growth, it still represents a significantly smaller proportion

of GDP compared to developed countries. In 2023, healthcare spending accounted for 7.2% of GDP, and per capita healthcare expenditure was only 6,425.3 yuan, which is much lower than the per capita level in developed countries during the same period.

With China's rapid economic development, the aging population, and increasing public health awareness, the demand for healthcare services continues to grow. This has resulted in a rapid increase in domestic demand for high-quality medical imaging. However, the imbalance between the growing health needs and the underdeveloped healthcare sector still exists, with structural healthcare demands and the long-term need for high-quality development of medical institutions. Therefore, overall healthcare spending in China will continue to rise.

As medical demand increases, the gap between China’s large population and limited payment capacity is becoming more apparent. In response to this challenge, the government has implemented policies like centralized procurement and DRG/DIP to regulate costs.

The key to addressing this challenge is improving hospitals' ability to provide precise and efficient diagnostic services. This involves introducing innovative, intelligent, and simplified workflow devices and replacing outdated, inefficient equipment. By assisting medical institutions in improving their diagnostic throughput while ensuring diagnostic accuracy and effectiveness, a good doctor-patient experience can be created. This approach helps meet medical needs more comprehensively and controls extra costs caused by unnecessary or excessive examinations, ultimately contributing to the realization of genuine social value.

At United Imaging Healthcare, all of our imaging and radiation therapy equipment, from hardware to software, applications, and workflows, are powered by a comprehensive series of digital and intelligent super technology platforms. These innovations have been well-received and recognized by users, significantly improving the diagnostic capabilities of medical institutions at all levels.
For example, in the field of MRI, despite significant progress and widespread use, most hospitals in China still face a supply-demand imbalance, with patients unable to easily book appointments. Previously, the company conducted a "Challenge the Limits of MRI Imaging Speed" clinical verification event in collaboration with Tongji Hospital of Huazhong University of Science and Technology. In just 15 hours, 268 scans were completed across multiple body parts, including the central nervous system, joints, abdomen, and cardiovascular system. The average scan time was around 100 seconds per patient, achieving a scan volume 4-5 times that of a typical radiology department in one day.

In terms of accuracy, four associate chief physicians from the radiology department at Tongji Hospital evaluated the images based on three dimensions: image quality, lesion display, and artifacts. The results showed that the images from our MRI system scored excellently in all three categories, fully meeting clinical diagnostic requirements.

In summary, the advancement of policies like DRG/DIP will help increase the diagnostic efficiency and quality of medical institutions and enhance the patient experience. This aligns with the advantages of our products. In the future, we will continue to increase investment in research and

development, strengthen technical breakthroughs, and launch high-performance products with significant cost-performance advantages. We will actively respond to national policies and the "Healthy China" strategy, addressing issues such as uneven distribution of medical resources and the need to improve healthcare accessibility, thus fulfilling our company's mission to promote greater medical accessibility and equality on a global scale.

**Qustion 5**

**This year, some industries have been impacted by the US-China relations, including additional tariffs in certain sectors. How does the company view the potential risks and challenges posed by geopolitical factors? How is the company responding to these challenges? The growth rate of the US market was lower than other overseas markets last year. What are the expectations for this year?**

Answer:

Geopolitical influences have been present since 2018, and we have gradually adapted and dynamically adjusted our strategies in response. As the largest single market in the world and one of the most market-oriented, the US market is of strategic importance to the company. We have been taking this into account both in terms of strategic planning and tactical market approaches.

Regarding potential tariff increases and policy changes, the company has made thorough preparations. We have enhanced our supply chain resilience through localization strategies, including local assembly, production, and optimization of the supply chain, to minimize the adverse impact of geopolitical factors. Additionally, we continue to strengthen our compliance management, particularly in the area of information security. Since 2019, we have collaborated with third-party information security assessment agencies to strictly implement the National Institute of Standards and Technology (NIST) Cybersecurity Framework 2.0 (CSF 2.0) for security evaluation and certification. Independent third-party evaluators have confirmed that the company has met the expected controls in key areas such as identity management, authentication, access control, data security, and information protection, in compliance with the NIST CSF 2.0 security framework. Regular internal and external security audits ensure that our security measures remain at optimal levels, providing lasting and reliable information security for our customers worldwide.

Although the growth rate in the US market was slower than other international markets last year, we remain confident in the development potential of the US market this year and in the future. We continue to optimize our product portfolio, focusing on increasing the share and commercialization progress of our high-end and ultra-high-end products. Products such as the uMR Jupiter 5T ultra-high-field MRI and uMI Panorama GS molecular imaging systems have already received FDA certification. These products have garnered significant attention and recognition within the industry. We expect both order and revenue growth in the US market to improve this year.

Looking ahead, the company will continue to adapt to geopolitical changes and refine our global operational strategies. We are committed to maintaining our competitiveness in challenging international markets.

**Qustion 6**

**The growth of the company's MI segment was relatively slow in 2023. What are the expectations for 2024? How many more years will the high-end product line in China drive growth before hitting a ceiling?**

Answer: The global molecular imaging (MI) market is a rapidly growing segment within the broader medical imaging industry. From 2015 to 2020, the global PET/CT market maintained stable growth, expanding from approximately $2.4 billion in 2015 to $3.1 billion in 2020, with a compound annual growth rate (CAGR) of about 5.2%. The PET/CT market in developed countries in Europe and North America has entered a more mature phase. However, the PET/CT market in the Asia-Pacific region continues to grow rapidly, driven by increasing demand for high-end medical services, technological advancements, and rising disposable income. By 2030, the global PET/CT market is projected to reach $5.8 billion, with North America, Asia-Pacific, and Europe expected to be the top three regional markets.

From a policy perspective, the adjustment of PET/CT from Class A to Class B by the National Health Commission in 2018, along with the decentralization of procurement approval to provincial levels, has contributed to the rapid development of the nuclear medicine industry. In 2021, a joint release by eight government agencies, including the National Atomic Energy Agency, outlined a long-term development plan for medical isotopes. The plan aims for comprehensive coverage of nuclear medicine departments in tertiary hospitals by 2025 and "one county, one department" across the country by 2035. In 2023, the number of PET/CT units planned for procurement increased, and during the "14th Five-Year Plan" period, China plans to add 860 PET/CT units and 141 PET/MR units, representing growth rates of 156% and 183%, respectively, compared to the "13th Five-Year Plan." This indicates strong and sustained demand for molecular imaging in China.

China's PET/CT penetration is still very low. In 2020, the number of PET/CT units per million people in China was only 0.61, far below the levels seen in developed countries. For comparison, the US had 5.73 units per million, Australia had 3.70 units, and Belgium had 2.86 units. In 2020, China's PET/CT market was worth approximately RMB 1.32 billion, with a CAGR of 17.9% from 2015 to 2020. By 2024, China's PET/CT units per million people are expected to reach 0.78, and by 2030, this is projected to rise to 2.41 units per million, with the overall PET/CT market size reaching about RMB 5.34 billion, reflecting an expected CAGR of 15.0% from 2020 to 2030.

New technologies and applications will further drive demand. For example, the rapid development of radiopharmaceuticals and nuclear medicine has expanded the application of MI products. Recently, several FDA-approved Alzheimer's disease treatments have used PET imaging results as diagnostic standards, which has played a key role in early detection and intervention of Alzheimer's. United Imaging's recent investment in Juyiyuan will also support the provision of more solutions, including radionuclide preparation equipment, to a broader range of users.

Currently, the company has established a vertically integrated innovation chain in molecular imaging, spanning "complete systems, core components, and underlying components." This provides greater freedom for innovation and has enabled the company to maintain the top market share for new PET/CT systems for several consecutive years. Although the industry saw some

slowdown in market activity in the first half of this year due to industry restructuring and equipment upgrades, the company is aware that MI products are involved in many of the equipment upgrade projects. United Imaging has a distinct competitive advantage in the MI product market, and with the implementation of equipment upgrade policies, the company expects strong performance in the second half of this year and in the coming years.

**Qustion 7**

**Could you introduce the background and necessity of this transaction? Does United Imaging Healthcare's investment in Juyiyuan align with its future development strategy?**

Answer:

Regarding business synergies, United Imaging Healthcare and Juyiyuan have significant potential for collaboration. For example, United Imaging's product lines, such as PET/CT and PET/MR, have a notable demand for medical cyclotrons and radioactive isotopes among hospital clients. Upon further understanding, we found that several of Juyiyuan's cyclotron models, such as the 7MeV, 11MeV, and 20MeV units, are capable of producing various radioactive isotopes, which meet the needs of both United Imaging and our clients.

In terms of business models, United Imaging and Juyiyuan share many similarities, as both companies' products require specialized service and maintenance. This alignment allows for a deep understanding of and adaptation to business needs. Given the overlapping customer bases and strong synergies in business operations, United Imaging can leverage its established commercial channels, especially in overseas markets, to cooperate with Juyiyuan, providing more comprehensive products and services. This collaboration will enhance user satisfaction, improve market competitiveness, and expand global market reach.

From a technical research and development (R&D) perspective, the technologies of the two companies complement each other, offering new perspectives and tools. United Imaging's nuclear medicine product line and Juyiyuan's cyclotrons have strong complementary capabilities in R&D. This creates a solid foundation for future technological innovation and functional development, benefiting both companies.

In the modern medical field, precision medicine is becoming the mainstream. Unlike traditional treatments, which often lack personalization and precision, precision medicine emphasizes personalized treatment based on a patient's specific condition and biomarkers, leading to more accurate diagnoses and fewer side effects. To implement precision treatment, it is essential to identify the specific targets or root causes of diseases, and based on these diagnostic criteria, tailor precise treatment plans to improve efficacy and minimize adverse effects.

Molecular imaging technologies, such as PET and multi-modal PET/CT and PET/MR, play a crucial role in this process by helping doctors identify the most suitable treatment options. For example, in oncology, PET imaging helps doctors choose the best treatment for patients, enhancing the accuracy and effectiveness of treatment. In the field of neurology, molecular imaging also plays an important role. Recently, several FDA-approved Alzheimer's disease treatments used PET imaging results as diagnostic criteria, significantly aiding in early detection and intervention.

In PET imaging, the production of isotopes is as crucial as the imaging equipment itself. Cyclotrons are the key devices used to produce medical isotopes, which are essential for the production of radiotracers used in PET scans. These radiotracers are injected into the body and help achieve high-definition imaging, enabling doctors to diagnose and treat diseases effectively.

In practical applications, large hospitals often use cyclotrons to produce radiotracers, such as FDG, required for routine PET scans. For short-lived isotopes, especially those used in cardiovascular, oncology, and neurology studies, cyclotrons are essential for ensuring that the radiotracers are produced and used quickly. By collaborating with Juyiyuan, United Imaging will be able to offer more comprehensive and efficient diagnostic services, supporting the establishment of advanced molecular imaging systems in healthcare institutions at all levels.

Lastly, with the continuous development of the global nuclear medicine industry and healthcare research institutions, new molecular probes and radiopharmaceuticals are being developed. In drug research, PET imaging can replace traditional methods by visually tracking drug distribution and metabolism in the body. Pharmaceutical companies and research institutions require support from cyclotrons, small-animal PET/CT, and conventional PET/CT systems. The isotopes produced by Juyiyuan’s cyclotrons will provide essential support for these research activities, accelerating drug development. Thus, United Imaging's collaboration with Juyiyuan will strengthen the technical support and equipment guarantees needed for these studies, fostering further advancements in pharmaceutical research and development.