The Q&A Summary of United Imaging Healthcare's Investment in 10% Equity of Sichuan Longevous Beamtech Co., Ltd. (hereinafter referred as Longevous Beamtech or LBT or Jiuyiyuan)

Qustion 1

Could the company describe the competitive landscape of the cyclotron industry in which Juyiyuan operates? Additionally, how do LBT and United Imaging Healthcare's Molecular Imaging (MI) Division achieve synergies, and how do they complement each other's strengths?

Answer:

The cyclotron was initially invented in 1930 by American scientist Ernest Lawrence, who received the Nobel Prize in Physics in 1939 for his work. Over the past century, this accelerator technology has undergone multiple iterations, achieving energy levels of up to 590 MeV. Cyclotrons are used for various scientific purposes and have become increasingly significant in modern healthcare.

Before cyclotrons were adopted in the medical field, they were primarily used in nuclear and high-energy physics research. With the advancement of PET (Positron Emission Tomography) technology, the demand for positron-emitting isotope production equipment in healthcare grew. Among various isotope production tools, cyclotrons emerged as the preferred choice due to their compact size and high-purity output.

According to third-party data, there are over 1,500 medical cyclotron facilities globally, spread across 90 countries and more than 1,200 institutions. These devices play a critical role in cancer treatment and medical imaging. The market for medical cyclotrons is predominantly led by international players, with 90% of operational cyclotrons falling within the energy range of 9-26 MeV. Driven by global aging populations and rising cancer incidence rates, the demand for medical cyclotrons is expected to grow further. Technological advancements and emerging applications, such as higher-energy cyclotrons, will also expand the market. Additionally, emerging markets in China, other parts of Asia, Africa, and South America are anticipated to be key growth drivers, alongside the developed regions.

In China, prior to 2000, most cyclotrons used for research were either donated or purchased from overseas at high costs. However, the introduction of PET/CT technology led the National Health Commission to initiate centralized procurement of such devices. Between 1998 and 2010, over 120 hospitals across China acquired PET/CT systems and cyclotrons through centralized bidding, with all devices being imported.

Juyiyuan has disrupted the market, traditionally dominated by imported products, and spearheaded the localization of high-end medical cyclotrons. Leveraging its technical strengths and strategic

initiatives, Juyiyuan has rapidly expanded its market presence, achieving sales and installations in multiple locations, thereby fostering new opportunities for the nuclear medicine industry in China.

Juyiyuan's product portfolio includes cyclotrons with various energy levels, such as 7MeV, 11MeV, and 20MeV, all of which are commercially available. These cater to different needs:

1) County-level hospitals primarily require 7MeV systems for producing widely used radiopharmaceuticals like FDG.
2) Mid-to-high-level city hospitals prefer 11MeV systems for both clinical and research purposes.
3) Regional and research hospitals demand 20MeV systems for producing a broader range of isotopes to support research needs.

From a policy perspective, China's government has introduced initiatives that significantly boost demand for nuclear medicine. For example:

In 2018, PET/CT procurement approval authority was delegated to the provincial level.
In 2021, the Medium- to Long-Term Development Plan for Medical Isotopes proposed comprehensive nuclear medicine department coverage in tertiary hospitals by 2025 and "one nuclear medicine department per county" by 2035.
These policies are driving demand for cyclotrons, particularly 7MeV and 11MeV models.

In terms of competition, before 2021, the domestic market heavily relied on imported equipment. Over the past three years, Juyiyuan has established itself as a formidable competitor to international players in China, extending its reach from smaller hospitals to larger institutions. Globally, through collaboration with United Imaging Healthcare, Juyiyuan has achieved installations in projects such as those in Kenya, with plans to expand to more countries this year.

The collaboration between Juyiyuan and United Imaging Healthcare creates synergies across three main dimensions: technology, supply chain and operations, and services.

1) Technological Synergy: Juyiyuan and United Imaging Healthcare jointly advance research in radiopharmaceuticals and molecular probes. United Imaging's equipment, such as PET/CT and PET/MR systems, supports hospital localization efforts and catalyzes the development of novel molecular probes and drugs, driving demand for isotopes. Juyiyuan's cyclotrons, producing isotopes like Copper-64 with superior performance, meet the stringent requirements of pharmaceutical companies. Juyiyuan has also achieved breakthroughs in key technologies, such as: Ion Source Technology, increasing capacity from an initial 9,000μAh to over 20,000-30,000μAh, surpassing global benchmarks; High-Frequency Source Technology, utilizing IGBT (Insulated Gate Bipolar Transistor) technology for enhanced stability and reliability, unlike the outdated electron tube technology used by international competitors. Future plans of Juyiyuan includes launching a 30MeV cyclotron for therapeutic isotope production, such as Lutetium-177, and developing advanced treatment systems like proton therapy and neutron capture therapy.

2) Supply Chain and Operations Synergy, United Imaging's expertise in production and supply

chain management supports Juyiyuan in transitioning from R&D to mass production. This collaboration ensures product reliability and safety while enhancing efficiency to meet market demands.

3) Service Synergy, Juyiyuan and United Imaging Healthcare offer comprehensive solutions, from isotope production to molecular imaging equipment and after-sales support. United Imaging's extensive domestic and international service network ensures seamless installation, operation, and maintenance of Juyiyuan's devices, boosting customer satisfaction and market reach.

In summary, the partnership between Juyiyuan and United Imaging Healthcare strengthens their market competitiveness, fosters innovation in nuclear medicine, and provides hospitals with complete nuclear medicine solutions. This collaboration drives efficiency, upgrades capabilities, and expands their presence in both domestic and international markets.

Qustion 2

United Imaging Healthcare's molecular imaging products are currently leading the global market. With the continuous expansion of its ecosystem, what is the expected growth of the company's molecular imaging segment in the next few years, particularly regarding overseas installations and sales?

Answer:

The global molecular imaging market is a key subsegment within the broader medical imaging field and is one of the fastest-growing sectors. A typical representative of molecular imaging equipment is PET/CT, which combines CT scanning's anatomical images with PET's functional and metabolic images. PET/CT is highly sensitive, accurate, specific, and precisely localized, making it invaluable for early detection of lesions and accurate diagnosis of cancers and cardiovascular and neurological diseases. As a high-end medical imaging system, PET/CT plays an irreplaceable role in tumor diagnosis, precision medicine, and clinical research.

From the perspective of global market size, data shows that from 2015 to 2020, the global PET/CT market has grown steadily, increasing from approximately $2.4 billion in 2015 to $3.1 billion in 2020, with a compound annual growth rate (CAGR) of about 5.2%. However, the PET/CT market in developed regions like Europe and North America is now entering a relatively mature phase. Benefiting from increasing demand for high-end medical devices, technological breakthroughs, and rising disposable incomes, the PET/CT market in the Asia-Pacific region is still in a rapid growth phase. It is projected that by 2030, the global PET/CT market will reach $5.8 billion, with North America, Asia-Pacific, and Europe becoming the top three regional markets.

In terms of per capita ownership, China's PET/CT ownership level remains very low. In 2020, China had just 0.61 PET/CT units per million people, significantly lower than that of developed countries, where the U.S. had approximately 5.73 units per million people, Australia had 3.70, and Belgium had 2.86. Thus, China's PET/CT market has substantial growth potential.

From a policy perspective, since 2018, the National Health Commission of China has reclassified

PET/CT from a Class A to Class B device, allowing provincial-level procurement approval. In 2021, a joint plan from eight government ministries, including the National Atomic Energy Agency, proposed the "Medium and Long-Term Development Plan for Medical Isotopes." The plan aims for full coverage of nuclear medicine departments in tertiary hospitals by 2025 and "one county, one department" nationwide by 2035, all of which will support the rapid development of the nuclear medicine industry. In 2023, the configuration plan for PET/CT devices was increased, with 860 new units planned during the 14th Five-Year Plan period, marking a 156% increase compared to the previous period, and PET/MR units also set to increase by 183%. This indicates that China's molecular imaging industry will continue to grow at a high speed.

Currently, China's PET/CT market is still in its early development stages, with high overall growth rates expected. In 2020, China's PET/CT market size was approximately ¥1.32 billion, with an annualized compound growth rate of 17.9% from 2015 to 2020. It is estimated that by 2024, the PET/CT units per million people in China will reach 0.78, and by 2030, this number could reach 2.41, with an estimated overall market size of ¥5.34 billion by 2030. The compound annual growth rate from 2020 to 2030 is expected to be around 15%.

In addition to PET/CT, molecular imaging equipment also includes PET/MR. PET/MR is an ultra-high-end device that combines PET and MR imaging. It can scan the entire body, detect primary and metastatic lesions, and provide early and accurate diagnoses of malignant tumors. PET/MR is leading research, clinical, and translational medicine in the direction of higher and more advanced applications. In 2023, China also reclassified PET/MR from Class A to Class B.

From the perspective of installations, by the end of 2020, the global installed base of PET/MR systems was around 200 units, with the majority located in North America, Europe, and China, where approximately 40 units were installed. From a market size perspective, the global PET/MR market was valued at around $250 million in 2020, and it is expected to grow to $1.23 billion by 2030, with a CAGR of 17.0%.

United Imaging Healthcare has completed the vertical innovation chain for molecular imaging, spanning from complete systems to core components and underlying devices. This gives us greater freedom for innovation and has enabled us to transition from a challenger to a leader in the industry.

Since 2013, we have launched China's first 96-ring light-guide PET/CT, the uMI 510, with the industry's smallest crystal size, elevating PET/CT spatial resolution to new heights. In 2018, we introduced China's first integrated TOF PET/MR, the uPMR 790, making China the third country in the world capable of independently developing and producing integrated PET/MR systems. In 2019, we released the industry's first 2-meter axial field-of-view PET/CT, the uEXPLORER, which achieved full-body metabolic imaging for the first time and raised PET/CT sensitivity to a new level.

Our molecular imaging products have gained recognition from top nuclear medicine experts globally, including those at the University of California, Davis, Yale University, the University of Bologna, the University of Rome, Fudan Zhongshan Hospital, Peking Union Medical College Hospital, and Peking University Cancer Hospital.

According to third-party data, United Imaging Healthcare has ranked first in market share for eight consecutive years since 2016, and has made rapid breakthroughs in overseas markets. We have installed over 340 units globally, with installations in the U.S., Japan, France, New Zealand, India, Italy, and several other countries, earning high recognition from imaging centers, medical schools, and leading research institutions. As the clinical value of molecular imaging equipment becomes increasingly apparent, with expanding applications in cancer, cardiovascular, and neurological disease diagnosis, we will continue to accelerate the commercialization of innovative products and applications. Through our collaboration with Juyiyuan, we aim to provide comprehensive nuclear medicine solutions and lead the development of the global molecular imaging industry.

Qustion 3

United Imaging Healthcare's organic growth has been very strong. How does the company define the importance of mergers, acquisitions, and equity investments for its future development? What are the company's plans for mergers, acquisitions, and investments in the future?

Answer:

The company has observed several recent mergers and acquisitions in the medical device industry. In the current capital market environment and industry development trends, there are indeed some excellent opportunities for mergers and acquisitions, and we will closely monitor potential targets.

In June 2023, United Imaging Healthcare invested in and acquired a stake in Shanghai Aipuqiang Particle Equipment Co., Ltd., expanding our presence in the field of radiotherapy. In July 2024, the company invested in and acquired a stake in Sichuan Juyiyuan Particle Technology Co., Ltd., which will enable us to provide a comprehensive solution for our molecular imaging product line and further consolidate our competitive advantage in global molecular imaging.

Therefore, both mergers and acquisitions, as well as equity investments, are critical components of our global development strategy. These moves will help us rapidly expand our market share, strengthen our technology and product capabilities, and achieve resource integration and synergies. They are also vital for entering emerging markets, expanding business areas, and potentially discovering new growth opportunities.

Looking ahead, we will focus on two main directions for acquisitions: first, acquiring core technologies closely related to our existing businesses that can enhance product performance or improve cost structures; second, identifying opportunities that can expand our product lines or bring new business growth through equity collaborations. We will also continue to focus on emerging fields and cutting-edge technologies to maintain United Imaging Healthcare's innovation and competitive edge.

In terms of investment strategies, we will flexibly choose between equity investments, majority ownership, or full acquisitions, depending on the specific situation. For smaller projects, we can execute quickly with sufficient funds, while for larger projects, United Imaging Healthcare is well-positioned to handle refinancing conditions effectively.

Overall, United Imaging Healthcare will maintain a rigorous and cautious approach to equity investments, mergers, and acquisitions, ensuring that each decision aligns with our long-term strategy and maximizes the benefits for both the company and its shareholders.

Qustion 4

What is your company's sales forecast for international markets this year? Does the company have the capability to address potential policy challenges in the European and American markets?

Answer:

United Imaging Healthcare is leading with a global strategy, making significant strides both domestically and internationally. As of the first quarter of 2024, our products have served over 12,600 medical and research institutions across more than 70 countries and regions worldwide.

In the United States, we are accelerating the introduction of high-end innovative products into the market. Our products have entered leading universities, research, and clinical institutions, such as uEXPLORER at BAMF Health, where we are working together to promote integrated clinical practice for precision diagnosis and treatment of neuroendocrine tumors, cancer, and related diseases in the heart and nervous systems. Other equipment, including uMI Panorama, uCT 960+, uCT Atlas, and digital PET/CT, has been deployed in institutions such as Huntsman, CHRISTUS, and Northern California. In the U.S. Midwest, Shared Medical Services, a mobile imaging provider with over 40 years of history, has introduced our digital PET/CT, offering accessible imaging services to underserved rural populations—marking the area's first mobile digital PET/CT.

In Europe, our full imaging product line has achieved complete market coverage, with devices successfully installed in leading medical and research institutions like Bologna University Hospital in Italy and the top-ranked Maria Sklodowska-Curie National Research Institute of Oncology in Poland. In 2024, we also made significant inroads in the French market with the introduction of digital PET/CT. We are not only focusing on exporting equipment but also building teams, systems, and services to meet the demands of mature markets for innovative devices and services.

In the Asia-Pacific and emerging markets, we provide comprehensive solutions that cater to diverse market needs and meet the demand for high-quality healthcare in rapidly developing regions. At the same time, we are expanding our marketing, branding, and systems presence, actively responding to the Belt and Road Initiative by offering digital high-end medical equipment, intelligent systems/software, overall solutions, and talent training to enhance healthcare levels in participating countries. In Australia, we broke into the market in 2023 with our digital PET/CT and next-generation intelligent MRI, marking the first installation of a Chinese brand in the region.

In Southeast Asia, we established subsidiaries in Jakarta (Indonesia), Singapore, and Astana (Kazakhstan) in 2023. While building our commercial platform, we also set up a training center in Astana to foster talent exchange and cooperation, promoting the adoption and application of high-end medical imaging technology across Belt and Road countries. Our global brand and academic influence have been further enhanced, as evidenced by the debut of our global first digital brain

PET/CT NeuroEXPLORER (NX) at the 2023 SNMMI conference, which was recognized as the "highlight moment" of the neuroscience session and won the 2024 SNMMI "Image of the Year."

Moving forward, United Imaging Healthcare will continue to enhance its export capabilities and brand influence. By leveraging innovative product portfolios, a comprehensive network service system, and an efficient supply chain, we will accelerate our global expansion and maintain leadership in both technology and market presence, building long-term, mutually beneficial ecological partnerships with healthcare institutions worldwide.

Qustion 5

In 2023, the company maintained a strong revenue growth rate. What were the main driving factors behind the performance growth?

Answer:

In 2023, the company achieved a revenue of 11.41 billion yuan, representing a 23.5% year-on-year increase, continuing the momentum of rapid growth. Despite a complex external environment, we met our annual expectations. This achievement was driven by several factors:

First, the company adhered to an innovation-driven strategy, consistently updating and iterating products across all product lines, which allowed us to capture a larger market share. In terms of equipment revenue, we achieved 9.93 billion yuan in 2023, a 21.1% increase compared to the previous year. Notably, MR and XR saw significant growth. MR revenue reached 3.28 billion yuan, an increase of 58.5%. The revenue structure across product lines showed a trend toward higher-end and more diversified products, with the proportion of income from mid- to high-end products steadily rising.

Second, service revenue, which complements equipment sales, is closely linked to the growing installed base of our products. As the installation volume continues to rise, service revenue will continue to grow. Currently, service revenue has reached 1.07 billion yuan, a 42.8% increase year-on-year, and the service revenue proportion has increased by 1.26%.

During the reporting period, the company made significant strides in the digital transformation and informatization of multiple departments, including R&D, technology, quality, marketing, service, and supply chain, in line with the company's development strategy and global market demand. We have been actively building a more efficient supply chain and marketing service system. In terms of the supply chain, we have optimized processes, integrated resources, and achieved effective cost reductions and efficiency improvements. After implementing inventory optimization measures in 2023, we also integrated procurement resources and optimized control processes to reduce procurement costs.

Additionally, the company established a global regional marketing management mechanism, fully upgrading our marketing management system. We implemented initiatives such as the "Domestic and International Agent Platform Launch" and "Integration of Business and Finance" and enhanced our budget system and report preparation. These measures have enabled us to obtain more timely,

accurate, and complete market information, customer needs, and business dynamics. With targeted product positioning and marketing, we strengthened our marketing management, which effectively increased our sales success rate and shortened sales cycles. Furthermore, the company continued to improve its R&D management system, promoting product innovation and R&D efficiency, which will support long-term growth and the 2.0 upgrade.

Finally, the expansion of health budgets by governments at all levels and the allocation of fiscal support for healthcare projects have been contributing factors. Guided by top-level designs, there are plans and schedules to fill system gaps, including the construction of national medical centers, regional medical centers, county medical sub-centers, traditional Chinese medicine projects, and high-quality development of public hospitals. These initiatives are helping medical institutions improve quality, contributing to overall sector growth.

In summary, a combination of internal and external factors has worked together to drive the growth in our operating revenue and net profit in 2023.