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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock code: 2120

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

1 INTRODUCTION

- 1.1** The board of directors (the “**Board**”) of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the financial year ended December 31, 2023 (the “**Reporting Period**”) with comparative figures for the previous financial year, i.e. financial year ended December 31, 2022.
- 1.2** The financial statements (the “**Financial Statements**”

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Revenue	1,596,266	1,484,903
Profit before income tax	99,182	15,605
Income tax expenses	12,250	26,574
Net profit	86,932	-10,969
Net profit attributable to shareholders of the Company	85,948	-24,221
Non-controlling interests	984	13,252
	As of December 31,	As of December 31,
	2023	2022
	(RMB'000)	(RMB'000)
Total assets	3,047,687	2,637,787
Total liabilities	1,639,481	1,311,885
Total equity	1,408,206	1,325,903
Equity attributable to shareholders of the Company	1,265,065	1,201,585
Non-controlling interests	143,141	124,318
	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	265,033	227,221
Net cash used in investing activities	-215,017	-273,615
Net cash generated from financing activities	96,107	116,178
Net increase in cash and cash equivalents	<u>146,127</u>	<u>69,861</u>

3 BUSINESS REVIEW AND OUTLOOK

3.1 Business Review

In 2023, following the shift of China's COVID-19 epidemic prevention and control phase, the macroeconomy saw recovery and development. In the post-epidemic era, there has been an increasing demand in people's mental health and psychological needs, with the aging population prompting the public to raise their health management awareness. National and local governments persist in introducing policies that encourage social forces to engage in mental health, elderly care and other sectors. Adhering to the principle known as "keeping righteousness and innovation while seeking progress on top of stability (守正創新, 穩中求進)", the Group always remains true to its original aspiration of meeting healthcare needs of patients and deeply cultivates in the field of psychiatric specialty healthcare, while expediting the Company's presence in the elderly healthcare sector, strengthening compliance and quality control practices and consolidating corporate connotation construction, and is committed to providing more comprehensive and higher quality health services for patients.

During the Reporting Period, the Group's overall business was robust and displayed enduring endogenous momentum. During the Reporting Period, the Group recorded total revenue of RMB1,596.3 million, representing an increase of 7.5% as compared with that of 2022. Among them, the revenue from operating its owned hospitals amounted to RMB1,485.2 million, representing an increase of 8.7% as compared with that of 2022. During the Reporting Period, the Group's net profit attributable to shareholders of the Company amounted to RMB85.9 million, returning to profit over the corresponding period in 2022, and the return on equity was 7.0%. As of December 31, 2023, the number of the Group's owned hospitals increased to 32 (December 31, 2022: 29), including an independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds increased to 11,268 (December 31, 2022: 9,688).

Psychiatric Healthcare Business

The Group has always been focusing on satisfying the continuously growing multi-level and diversified demand for psychiatric health of the patients, constantly strengthening the refined management model of the Group, and improving its medical quality control and service level. The Group expanded and strengthened the psychiatric specialized business by the way of online and offline integration and dedicated to be professional guardian of psychiatric health. During the Reporting Period, the performance of the Group's mature hospitals such as Wenzhou Kangning Hospital, Cangnan Kangning Hospital and Yueqing Kangning Hospital showed steadily with an increase in both of outpatient and inpatient revenue. In particular, the advantages of Qingtian Kangning Hospital, Yongjia Kangning Hospital and Jinyun Shuning Hospital in development space were released quickly after being relocated to new sites. The development of Quzhou Yining Hospital, Chun'an Kangning Hospital, Puijiang Yining Hospital and Changchun Kanglin Psychological Hospital in the growth period showed a rebound trend, and further consolidated the basic business of the Group. Furthermore, the regional management model of the Group has increasingly demonstrated agglomeration effects, with its owned hospitals in the Taizhou and Haixi regions achieving stable year-on-year growth. As the impact of the pandemic eliminated and standards of local medical insurance payment increased, the operating performances of three hospitals, namely the Huainan Kangning Hospital, Heze Yining Hospital and Guanxian Yining Hospital, were markedly improved with profitability gradually recovering. However, Beijing Yining Hospital and Shenzhen Yining Hospital incurred losses due to factors such as relatively high property costs, prompting the Group to consider adopting a comprehensive solution to address these issues.

During the Reporting Period, the Group acquired 51% equity interest in Loudi Kangning Hospital and 51% equity interest in Dongkou Lening Hospital, as well as acquired a controlling interest in Chengdu Yining Hospital through mergers and acquisitions, which expanded its strategic network layout in the psychiatric field and further enhanced the Group's business scale and market competitiveness.

Elderly Healthcare Business

On January 15, 2024, the State Council promulgated the Opinions of the General Office of the State Council on Developing the Silver Economy and Improving the Well-being of the Elderly (Guobanfa [2024] No. 1) (《辦公廳關於發展銀髮經濟增進老年人福祉的意見》(國辦發[2024]1 號)), proposing 26 measures across four aspects. As the first specialized document issued by the country to support the development of the silver economy, the document states that the silver economy is the collective of a series of economic activities such as providing products or services to the elderly and preparing for the old age, involves a wide range of areas and features a long industrial chain, diverse business forms, and enormous potential.

According to the development strategy layout for transformation of specialized chain cluster, the Group has continuously increased investment in the elderly healthcare sector since 2016. Leveraging the advantages of collectivization management and taking the integrated medical and nursing model as the core, the Group is committed to providing comprehensive and multi-level health services for the elderly and the elderly patients with disability, dementia, and chronic diseases, etc. As of December 31, 2023, the Group has opened six elderly hospitals, with one health care project under construction and approximately 2,540 beds available, generating an healthcare business income of approximately RMB427.1 million in 2023, accounting for 28.8% of the Group's revenue from the operation of owned hospitals, making a promising foundation for the implementation of the development strategy for the elderly healthcare sector. Among them, the business of mature elderly hospitals such as Geriatric Hospital and Wenzhou Cining Hospital grew steadily. Pingyang Changgeng Yining Hospital and Yueqing Yining Hospital, acquired in 2021 and 2022, respectively, recorded remarkable performance with a faster growth in revenue as compared to 2022, while the business development of Cangnan Yining Nursing Center and Wenzhou Ouhai Yining Elderly Hospital, both opened in 2022, was in line with expectations, as they were still in a fast ramp-up period.

3.2 Business Highlights

During the Reporting Period, the Group actively conducted grading assessments for owned hospitals to promote the coordinated development of medical quality, medical services, and scientific research and teaching in a comprehensive manner, and to provide patients with higher-quality medical services while better meeting the multi-level and diverse health needs of psychiatric patients. Notably, Wenzhou Kangning Hospital, being our flagship hospital, successfully completed the re-evaluation for Grade IIIA psychiatric specialty hospitals in Zhejiang in the fourth cycle, and Linhai Kangning Hospital, Cangnan Kangning Hospital, Pingyang Kangning Hospital, Pingyang Changgeng Yining Hospital, Yongjia Kangning Hospital, Yueqing Kangning Hospital and Qingtian Kangning Hospital under the Group all passed the evaluation for Grade IIB hospitals in Zhejiang in the fourth cycle. Moving forward, the Group will continue to assess its owned hospitals and assign grades on an individual basis to constantly enhance its comprehensive competitiveness and further reinforce its competitive standing in the market.

3.3 Business Outlook

The Group's financial position and operating results are mainly subject to the following risks:

- (i) Risk relating to high reimbursement amount from public medical insurance. From 2021 to 2023, reimbursement amount from public medical insurance accounted for 68.6%, 69.3% and 68.7% of the cash received from sales of goods and rendering of service for the respective years. If the Group's healthcare facilities are unable to maintain the qualification of designated medical insurance institutions in the future, or there are adverse changes on the national public medical insurance policy in respect of treatment of mental illness and gerontic illness, the Group's operating results will be affected adversely;
- (ii) Risk relating to shortage of professional medical talents. Under the laws and regulations of the PRC, healthcare facilities shall maintain a certain number of medical staff. With the increase in the number of healthcare facilities of the Group, if we are unable to recruit or maintain adequate medical staff, we will face difficulties to provide patients with the desirable medical services, which in return will adversely affect our operating results; and
- (iii) Risk relating to failure to renew qualifications and licenses required for our operations. Healthcare facilities are required to obtain the medical practice license before carrying out their businesses, which usually has a valid period and requires regular inspections by the regulatory authorities. If the healthcare facilities of the Group are unable to renew their licenses in the future due to poor management or non-compliant operation, our operating results will be affected adversely.

Prospect

In 2024, the world is witnessing unprecedented changes that have not been seen in a century, with both domestic and international economies showing signs of recovery. Simultaneously, the changes in the medical and healthcare sector are becoming more profound. With the acceleration of the "Healthy China" strategy, the development of medical industry is returning to normal, and the development of private hospitals will lean towards rationalization. Additionally, the government is actively backing the development of social medical institutions and will continuously provide guidance and support to social institutions engaging in businesses such as rehabilitation, nursing care, mental health, and "elderly care and child care", fostering a more equitable competitive environment in the medical industry, which is more beneficial to its healthy and sustainable growth. In response to this new landscape, the Group will closely align its strategies with the theme of national big health development and uphold the philosophy of "moving forward with a firm belief while solidifying foundation and pursuing innovations (固本革新, 篤信行遠)". Leveraging the opportunities arising from the increasing demand for mental health and elderly healthcare, the Group will give play to competitive strengths in professional and collectivization development, and take measures to enhance quality and efficiency, broaden sources of income and reduce expenditure, and seek progress while maintaining stability, striving to create a new landscape for high-quality development.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

The Group recorded revenue of RMB1,596.3 million during the Reporting Period, representing an increase of 7.5% as compared with 2022. Among them, the revenue from operating its owned hospitals amounted to RMB1,485.2 million, representing an increase of 8.7% as compared with 2022. During the Reporting Period, the gross profit margin of its owned hospitals was 25.4% (2022: 23.9%). The overall gross profit of the Group increased to RMB411.1 million, representing an increase of 16.5% as compared with 2022. During the Reporting Period, net profit attributable to shareholders of the Company for the Reporting Period amounted to RMB85.9 million, returning to profit over the corresponding period in 2022. The net cash generated from operating activities of the Group amounted to RMB265.0 million (2022: RMB227.2 million), representing an increase of 16.6% as compared with 2022.

4.1.1 Revenue and Cost of Revenue

The Group generates revenue mainly through the following three ways: (i) revenue from operating its owned hospitals; (ii) revenue from other healthcare related business; and (iii) other revenue not related to healthcare business.

The table below sets forth a breakdown of total revenue for the periods indicated:

	For the year ended	
	December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Revenue from operating owned hospitals	1,485,161	1,366,817
Revenue from other healthcare related business	105,756	110,018
Other revenue not related to healthcare business	5,349	8,068
Total revenue	<u>1,596,266</u>	<u>1,484,903</u>

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees (“**Billing Revenue**”) charged for outpatient visits and inpatient services at the Group’s various hospitals, which can be divided into treatment and general healthcare services and pharmaceutical sales, as well as variable considerations for medical services provided by the Group, including medical insurance settlement differences and the estimated unrecoverable charges for offering medical services by the Group to extremely deprived community members, low-end patients who are impoverished due to illness and other persons with special difficulties stipulated by the people's government at or above the county level pursuant to relevant policies. The net amount after deducting the variable considerations from the Billing Revenue is recorded as operating revenue of the Group.

The table below sets forth a breakdown of the Billing Revenue of the Group's owned hospitals adjusted to operating revenue for the periods indicated:

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Billing Revenue from owned hospitals	1,537,406	1,425,005
Less: Variable considerations	52,245	58,188
Revenue from operating owned hospitals – net	1,485,161	1,366,817

For the Reporting Period, the Group's Billing Revenue from its owned hospitals amounted to RMB1,537.4 million, representing an increase of 7.9% as compared with 2022, which was mainly due to an increase in treatment and general healthcare services revenue driven by a higher outpatient visits and inpatient visits. During the Reporting Period, the variable considerations amounted to RMB52.2 million, representing a decrease of RMB5.9 million from 2022, the proportion of the variable considerations to Billing Revenue decreased to 3.4% (2022: 4.1%).

The table below sets forth a breakdown of the Billing Revenue, cost of revenue and gross profit of the Group's owned hospitals for the periods indicated:

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Billing Revenue from owned hospitals	1,537,406	1,425,005
Cost of revenue	1,107,920	1,040,115
Gross profit	429,486	384,890

During the Reporting Period, Billing Revenue from the Group's owned hospitals increased by RMB112.4 million as compared with 2022, mainly due to the increase in Billing Revenue from Wenzhou Kangning Hospital, Wenzhou Ouhai Yining Geriatric Hospital, Yongjia Kangning Hospital, Yueqing Yining Hospital, Wenzhou Cining Hospital and Pingyang Changgeng Yining Hospital and Cangnan Yining Hospital, as well as the newly acquired Loudi Kangning Hospital and Dongkou Leining Hospital. During the Reporting Period, the gross profit of the Group's owned hospitals on Billing Revenue basis increased by 11.6% as compared with 2022, mainly due to the increase in inpatient bed-days while controlling costs.

The table below sets forth a breakdown of Billing Revenue of the Group's owned hospitals by inpatients and outpatients for the periods indicated, with relevant operating data:

	For the year ended December 31,	
	2023	2022
Inpatients		
Inpatient bed as at period end	11,268	9,688
Effective inpatient service bed-day capacity	4,112,820	3,536,120
Utilization rate (%)	84.4	88.7
Number of inpatient bed-days	3,471,366	3,134,950
Treatment and general healthcare services revenue attributable to inpatients (<i>RMB'000</i>)	1,146,473	1,061,798
Average inpatient spending per bed-day on treatment and general healthcare services (<i>RMB</i>)	330	339
Pharmaceutical sales revenue attributable to inpatients (<i>RMB'000</i>)	172,590	156,512
Average inpatient spending per bed-day on pharmaceutical sales (<i>RMB</i>)	50	50
Total inpatient revenue (<i>RMB'000</i>)	<u>1,319,063</u>	<u>1,218,310</u>
Total average inpatient spending per bed-day (<i>RMB</i>)	<u>380</u>	<u>389</u>
Outpatients		
Number of outpatient visits	500,570	527,050
Treatment and general healthcare services revenue attributable to outpatients (<i>RMB'000</i>)	68,199	58,089
Average outpatient spending per visit on treatment and general healthcare services (<i>RMB</i>)	136	110
Pharmaceutical sales revenue attributable to outpatients (<i>RMB'000</i>)	150,144	148,606
Average outpatient spending per visit on pharmaceutical sales (<i>RMB</i>)	300	282
Total outpatient revenue (<i>RMB'000</i>)	<u>218,343</u>	<u>206,695</u>
Total average outpatient spending per visit (<i>RMB</i>)	<u>436</u>	<u>392</u>
Total treatment and general healthcare services revenue (<i>RMB'000</i>)	<u>1,214,672</u>	<u>1,119,887</u>
Total pharmaceutical sales revenue (<i>RMB'000</i>)	<u>322,734</u>	<u>305,118</u>

During the Reporting Period, inpatient Billing Revenue amounted to RMB1,319.1 million, representing an increase of 8.3% as compared with that of 2022, primarily due to the number of the Group's inpatient bed-days increased by 10.7%, which was driven by the increase in the inpatient bed-days of Wenzhou Ouhai Yining Geriatric Hospital, Yongjia Kangning Hospital, Wenzhou Cining Hospital, Pingyang Changgeng Yining Hospital and Yueqing Yining Hospital. The proportion of inpatient Billing Revenue to Billing Revenue from owned hospitals was 85.8% (2022: 85.5%).

During the Reporting Period, outpatient Billing Revenue amounted to RMB218.3 million, representing an increase of 5.6% as compared with 2022, primarily due to the decrease of outpatient visits by 5.0% and an increase in average outpatient expenditure of 11.2%. The proportion of outpatient Billing Revenue to Billing Revenue from owned hospitals was 14.2% (2022: 14.5%).

During the Reporting Period, due to the increase of both inpatient and outpatient business, Billing Revenue from treatment and general healthcare services increased by 8.5% as compared with 2022, and increased to 79.0% (2022: 78.6%) of Billing Revenue from owned hospitals; Billing Revenue from pharmaceutical sales increased by 5.8% as compared with 2022, accounting for 21.0% (2022: 21.4%) of Billing Revenue from owned hospitals, of which: the ratio of inpatient pharmaceutical sales to total inpatient Billing Revenue increased to 13.1% (2022: 12.8%), the ratio of outpatient pharmaceutical sales to total outpatient Billing Revenue decreased to 68.8% (2022: 71.9%).

Cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, depreciation of right-of-use assets, depreciation and amortization, canteen expenses and testing fees. The table below sets forth a breakdown of cost of revenue of the Group's owned hospitals for the periods indicated:

	For the year ended	
	December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Pharmaceuticals and consumables used	365,896	339,777
Employee benefits and expenses	435,287	390,107
Depreciation of right-of-use assets	31,319	33,584
Depreciation and amortization	89,752	99,553
Canteen expenses	65,183	63,747
Testing fees	21,092	20,295
Others	99,391	93,052
Cost of revenue of owned hospitals	<u>1,107,920</u>	<u>1,040,115</u>

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB1,107.9 million, representing an increase of 6.5% as compared with 2022. It was mainly due to: (i) the increase of 7.7% in pharmaceuticals and consumables expenses relating to the increase of pharmaceutical sales; (ii) the increase of 11.6% in employee benefits and expenses arising from the increase in beds in operation of owned hospitals; and (iii) depreciation of right-of-use assets decreased by 9.1% as compared with that of 2022.

From the cost portfolio structure perspective, the proportion of pharmaceuticals and consumables used in the cost of revenue of owned hospitals slightly increased to 33.0% (2022: 32.7%). The proportion of employee benefits and expenses to cost of revenue of owned hospitals increased to 39.3% (2022: 37.5%). The proportion of the depreciation of right-of-use assets together with depreciation and amortization to cost of revenue of owned hospitals decreased to 10.9% (2022: 12.8%).

Revenue from other healthcare related business

The revenue from other healthcare related business of the Group primarily includes revenue from sales of medical devices, revenue from pharmaceutical sales outside the hospitals, revenue from social mental service and revenue from healthcare information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB105.8 million, of which revenue from sales of pharmaceuticals and medical devices outside the hospitals was RMB64.4 million (2022: RMB85.5 million).

Other revenue not related to healthcare business

The Group's other revenue not related to healthcare business mainly includes property leasing income. During the Reporting Period, revenue from the property leasing income was RMB5.3 million (2022: RMB8.1 million), mainly due to the rental income from external sublease of certain leased properties by Shenzhen Yining Hospital.

4.1.2 Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB411.1 million, representing an increase of 16.5% as compared with 2022. The gross profit of the owned hospitals businesses on operating income basis amounted to RMB377.2 million, representing an increase of 15.5% as compared with 2022. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the year ended December 31,	
	2023	2022
Owned hospitals businesses	25.4%	23.9%
Other businesses	30.5%	22.2%
Consolidated gross profit margin	<u>25.8%</u>	<u>23.8%</u>

During the Reporting Period, consolidated gross profit margin of the Group increased to 25.8% (2022: 23.8%), of which the gross profit margin of owned hospitals businesses increased by 1.5 percentage points from 2022.

4.1.3 Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB6.5 million (2022: RMB5.0 million).

4.1.4 Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB17.1 million (2022: RMB15.0 million). The selling expenses accounted for 1.2% of the revenue from operating owned hospitals of the Group (2022: 1.1%).

4.1.5 Administrative Expenses

During the Reporting Period, administrative expenses of the Group primarily consist of employee benefits and expenses, depreciation and amortization, consultancy expenses, travelling expenses and other expenses. The table below sets forth a breakdown of administrative expenses of the Group for the periods indicated:

	For the year ended	
	December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Employee benefits and expenses	117,426	111,252
Depreciation and amortization	29,101	24,761
Consultancy expenses	19,853	29,187
Travelling expenses	4,725	4,359
Others	41,921	36,328
Total administrative expenses	<u>213,026</u>	<u>205,887</u>

During the Reporting Period, the administrative expenses of the Group amounted to RMB213.0 million, representing an increase of 3.5% as compared with that of 2022, which was mainly due to an increase in employee benefits and expenses of 5.5% compared to 2022. The proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 14.3% (2022: 15.1%).

4.1.6 Research and Development Expenses

During the Reporting Period, the Group's research and development expenses mainly consisted of clinical research, development of informatization software and construction of Internet hospital platform. The following table sets forth a breakdown of the Group's research and development expenses for the periods indicated:

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Clinical research	20,552	18,899
Development of informatization software	8,436	9,803
Construction of Internet hospital platform	3,427	4,053
Others	51	273
Total	32,466	33,028

During the Reporting Period, the Group's research and development expenses amounted to RMB32.5 million (2022: RMB33.0 million), representing a decrease of 1.7% as compared with 2022. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 2.2% (2022: 2.4%).

4.1.7 Finance Expenses – Net

Our finance income includes interest income from bank deposits and foreign exchange gains, and the finance expenses include borrowing interest expense, the interest expenses on lease liabilities and unrecognized financial charges. The table below sets forth a breakdown of our finance expenses for the periods indicated:

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Interest income	-5,266	-2,762
Foreign exchange gains	-4	-78
Borrowing interest expense	30,180	33,214
Interest expenses on lease liabilities	9,755	11,936
Unrecognized financial charges	5,694	1,180
Others	1,093	820
Finance expenses – net	41,452	44,310

During the Reporting Period, the net finance expenses of the Group amounted to RMB41.5 million, representing a decrease of RMB2.9 million as compared with that of 2022, of which, borrowing interest expense decreased by 9.1% as compared with that of 2022, mainly due to the decrease in bank loans of the Group. The unrecognized financial charges increased by RMB4.5 million, mainly due to the increase in financial lease liabilities.

4.1.8 Investment Income

Our investment income consist of share of losses of investments accounted for using the equity method, gains arising from disposal of long-term equity investment and investment gains from disposal of trading financial liabilities. The table below sets forth a breakdown of our investment income for the periods indicated:

	For the year ended	
	December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Share of losses of investments accounted for using the equity method	-6,465	-15,927
Gains arising from disposal of long-term equity investment	698	18,063
Investment gains from disposal of trading financial liabilities	-300	—
Fund dividends	—	714
	<u>-6,067</u>	<u>2,850</u>

During the Reporting Period, our losses of investments amounted to RMB6.1 million. Among the said amount, there was attributable investment loss of RMB6.5 million accrued under the equity method. Additionally, the acquisition of Chengdu Yining Hospital resulted in a one-time write-down of RMB6.8 million in the carrying value of the Group's long-term equity investments accrued under the equity method.

4.1.9 Credit Impairment Losses

During the Reporting Period, credit impairment losses amounted to RMB9.4 million (2022: RMB25.2 million).

4.1.10 Non-Operating Income and Non-Operating Expenses

Our non-operating income mainly consists of government grants and donations received. Non-operating expenses mainly consist of losses on scrapping of non-current assets, donation expenses, and expenses for medical disputes. The table below sets forth a breakdown of our non-operating income and non-operating expenses for the periods indicated:

	For the year ended December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Government grants	566	55
Donations received	5,975	7,436
Other non-operating income	3,004	1,063
Non-operating income	9,545	8,554
Losses on scrapping of non-current assets	291	1,588
Donation expenses	4,494	3,928
Expenses for medical disputes	3,380	1,754
Other non-operating expenses	3,201	2,071
Non-operating expenses	11,816	9,341

During the Reporting Period, the non-operating income of the Group amounted to RMB9.5 million, representing an increase of RMB1.0 million as compared with that of 2022, mainly due to the increase in insurance compensation income by RMB0.9 million as compared to 2022. During the Reporting Period, the non-operating expenses of the Group increased to RMB11.8 million, mainly attributable to the increase in medical disputes expenses by RMB2.1 million as compared to 2022.

4.1.11 Income Tax Expense

During the Reporting Period, income tax expense amounted to RMB12.3 million (2022: RMB26.6 million), representing a decrease of 53.9% as compared with that of 2022. In 2023 and 2022, our actual tax rate was 12.4% and 170.3%, respectively, and the lower actual tax rate in 2023 was mainly due to the use of deductible losses of the deferred income tax assets unrecognized in the previous period.

4.2 Financial Position

4.2.1 Inventory

As of December 31, 2023, inventory balances amounted to RMB60.6 million (as of December 31, 2022: RMB58.3 million), mainly including the medical inventory and turnover materials.

4.2.2 Accounts Receivables

As of December 31, 2023, the balance of accounts receivables amounted to RMB420.4

4.2.7 Accounts Payables

As of December 31, 2023, accounts payables increased to RMB110.1 million (as of December 31, 2022: RMB85.8 million).

4.2.8 Receipts in Advance and Contract Liabilities

As of December 31, 2023, receipts in advance and contract liabilities increased to RMB 26.6 million (as of December 31, 2022: RMB29.9 million).

4.2.9 Other Payables

As of December 31, 2023, other payables increased to RMB150.3 million (as of December 31, 2022: RMB72.2 million), mainly due to the increase of completed but unsettled construction project funds of RMB54.2 million for Quzhou Yining Hospital and Linhai Cining Hospital.

4.3 Liquidity and Capital Resources

The table below sets forth the information as extracted from the consolidated cash flow statements of the Group for the periods indicated:

	For the year ended	
	December 31,	
	2023	2022
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	265,033	227,221
Net cash used in investing activities	-215,017	-273,615
Net cash generated from financing activities	96,107	116,178
Net increase in cash and cash equivalents	146,127	69,861

4.3.2 Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB215.0 million, primarily due to the amount of RMB179.7 million for purchasing property, plant and equipment, including the investments in the infrastructure of Lucheng Yining Hospital, Quzhou Yining Hospital, Linhai Cining Hospital, Jinyun Shuning Hospital, and Longquan Kangning Hospital and the renovations of Pingyang Changgeng Yining Hospital.

4.3.3 Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB96.1 million.

4.3.4 Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition and disposal during the Reporting Period.

As of the date of this announcement, the Group did not receive any specific plan with authorisation from the Board on significant investment in or acquisition of capital assets.

4.4 Indebtedness

4.4.1 Bank Borrowings

As of December 31, 2023, the balance of bank borrowings of the Group amounted to RMB864.7 million (as of December 31, 2022: RMB616.5 million), primarily attributable to repayment of borrowings of RMB357.7 million and an increase in borrowings of RMB605.9 million during the Reporting Period.

4.4.2 Contingent Liability

As of December 31, 2023, the Group had no contingent liability or guarantees that would have a material impact on the financial position or operation of the Group.

4.4.3 Asset Pledge

During the Reporting Period, the Group's Wenzhou Kangning Hospital pledged property ownership Wenfang Quanzheng Lucheng District No. 826751, Wenfang Quanzheng Lucheng District No. 826750, Zhe (2016) Wenzhou Real Estate Rights No. 0010144, Zhe (2016) Wenzhou Real Estate Rights No. 0010142, and Zhe (2021) Wenzhou Real Estate Rights No. 0081628, to China CITIC Bank Wenzhou Ouhai Sub-branch and China Minsheng Bank Wenzhou Branch, and Zhe (2017) Cangnan County Real Estate Rights No. 0018361 to China ICBC Bank Wenzhou Ouhai branch for obtaining a bank loan. As of December 31, 2023, the balance of such pledged loan was RMB260.0 million. Wenzhou Lucheng Yining hospital pledged the real estate property with certificate number of Zhe (2020) Wenzhou Real Estate Rights No. 0068897 to China BOCOM Wenzhou Commercial City Sub-branch. As of December 31, 2023, the balance of such pledged loan was RMB75.1 million. Jinyun Shuning Hospital pledged the real estate property with certificate number of Zhe (2023) Jinyun Real Estate Rights No. 0000180 to Zhejiang Jinyun Rural Commercial Bank Wuyun Sub-branch. As of December 31, 2023, the balance of such pledged loan was RMB25.0 million. Quzhou Yining Hospital pledged the real estate property with certificate number of Zhe (2022) Quzhou Real Estate Rights No. 0045588 to China CITIC Bank Wenzhou Renmin Road Sub-branch. As of December 31, 2023, the balance of such pledged loan was RMB37.7 million.

4.4.4 Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of December 31, 2023, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB28.6 million which is due within one year, were RMB163.2 million.

4.4.5 Financial Instruments

Financial instruments of the Group consist of accounts receivable, other non-current financial assets, other receivables, cash and cash equivalents, bank borrowings, accounts payable and other payables. The Company's management manages and monitors these risks to ensure effective measures are implemented in a timely manner.

4.4.6 Exposure to Fluctuation in Exchange Rates

The Group deposits certain of its financial assets in foreign currencies, which mainly involve risks of fluctuations in the exchange rate of HKD against RMB. The Group is therefore exposed to foreign exchange risks accordingly.

As of December 31, 2023, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

4.4.7 Gearing Ratio

As of December 31, 2023, the Group's gearing ratio (total liabilities divided by total assets) slightly increased to 53.8% (as of December 31, 2022: 49.7%), mainly due to an increase of bank borrowings.

4.4.8 Employees and Remuneration Policy

As of December 31, 2023, the Group had a total of 4,765 full-time employees (as of December 31, 2022: 4,196 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB607.4 million (2022: RMB529.4 million). The average employees' remuneration is RMB127.5 thousand per year (including social medical insurance scheme and housing grant scheme borne by the Group). The remuneration is determined with reference to the salary level in the same industry and the qualifications, experience and performance of an employee.

4.4.8.1 Share Incentive Plan

In order to fully mobilize the enthusiasm of senior management and core technical personnel of the Group, the Company drafted the Equity Incentive Scheme for the Year 2018 of Wenzhou Kangning Hospital Co., Ltd. (the “**Equity Incentive Scheme**”), which was considered and approved at the annual general meeting of the Company for the year 2017 which has been convened on June 13, 2018. In order to meet the requirement of ascertained share capital for the Company’s A share listing application in the future, the Board of the Company considered and approved the resolutions regarding, among others, further amendments to the Equity Incentive Scheme to cancel the performance assessment requirements and the Company’s obligation to repurchase the locked Incentive Shares under the Equity Incentive Scheme, at the board meeting held on June 24, 2021. Unless otherwise specified, capitalized terms used below shall have the same meanings as those defined in the announcement of the Company dated May 29, 2018, the supplementary circular dated May 30, 2018, the circular dated May 14, 2021, the announcement dated June 18, 2021 and the announcement dated June 25, 2021.

In respect of the Equity Incentive Scheme, the participants of the first actual grant comprised a total of 165 persons, with 1,818,529 incentive shares granted. The participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares granted. The participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 incentive shares granted. As of the date of this announcement, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. As of the date of this announcement, the participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 incentive shares proposed to be granted have been granted. The incentive shares granted accounted for 3.2976% of the total issued share capital of the Company as of the date of this announcement. The incentive shares were unlocked at one time after 48 months from the date of the grant, and the grant price was RMB10.47/share.

4.4.8.2 H Share Award and Trust Scheme

To attract, motivate and retain extensively skilled and experienced “core backbone members of the technicians and management” to continuously strive

Pursuant to the H Share Award and Trust Scheme, a Trust Deed will be entered into between the Company and the Trustee. Pursuant to the Trust Deed, the Trust will be constituted to service the H Share Award and Trust Scheme whereby the Trustee shall assist with the administration of the Scheme and shall, subject to the relevant provisions of the Trust Deed and upon the instruction of the Company, acquire H Shares through on-market transactions and such Shares shall be acquired by the Trust through the funds transferred by the Company and shall be retained and disposed of by the Trustee at the Company's instructions. Such H Shares under the Scheme shall not exceed 5% (being 3,730,015 shares) of the total share capital of the Company following the date on which the mandate of the Scheme is approved or at the date on which the approval of updating the limit is obtained. The Awards granted to the Selected Participants shall be held by the Trustee on trust for the benefit of the Selected Participants, and the Trustee shall, for the purposes of vesting of the Award and upon the instruction of the Board and/or the Delegatee, release from the Trust the Award Shares to the Selected Participants or sell the number of Award Shares so vested through on-market transactions at the prevailing market price and pay the Selected Participants the proceeds arising from such sale in accordance with rules and relevant provisions under the Trust Deed.

5 SIGNIFICANT EVENTS

5.1 Proposed Final Dividend

The Board of Directors has recommended the payment of a Proposed Final Dividend. The Proposed Final Dividend is intended to be in the form of a cash dividend to be paid to the shareholders in the form of a cash dividend of RMB3 (inclusive of tax) per 10 shares of the Company based on the number of 74,600,300 shares of the Company in issue as at

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementing regulations, which came into effect on January 1, 2008, the Company is required to withhold and pay on behalf of the shareholders of non-resident enterprises whose names appear on the register of members of the Company's H-shareholders the enterprise income tax at a rate of 10% on the distribution of cash dividends. Any H Shares registered in the name of non-individual shareholders (including in the name of Hong Kong Securities Clearing Company (Nominees) Limited, other nominees, agents or trustees or other organizations or bodies) are regarded as shares held by non-resident enterprise shareholders. Accordingly, dividends payable to such shareholders are subject to withholding corporate income tax. If H shareholders wish to change their status as shareholders, please contact the nominee or trustee for the relevant procedures. The Company will withhold corporate income tax on behalf of the relevant shareholders whose names appear on the register of members of the H Shares on the Record Date in strict accordance with the law or as required by the relevant government authorities.

If the individual holders of H Shares are residents of Hong Kong or Macau or residents of countries which have entered into relevant tax agreements with the PRC in respect of the distribution of cash dividends to them at a rate of 10%, the Company will withhold personal income tax at a rate of 10% on behalf of the relevant shareholders. If an individual holder of H Shares is a resident of a country which has entered into a tax agreement with the PRC at a tax rate lower than 10% on dividends, the Company will withhold personal income tax at a rate of 10% on behalf of the relevant Shareholder. In such case, if the relevant individual holder of H Shares wishes to apply for a refund of the excess tax withheld as a result of the application of the 10% tax rate, the Company may process the application on behalf of the relevant individual holder in accordance with the relevant preferential tax agreement, provided that the relevant shareholder submits to Computershare Hong Kong Investor Services Limited the supporting information as required by the notice of the tax agreement. Upon approval by the competent tax authorities, the Company will assist in refunding the excess tax withheld. If an individual holder of H Shares is a resident of a country which has entered into a tax agreement with the PRC with a dividend tax rate higher than 10% but lower than 20%, the Company will withhold and pay on behalf of the individual income tax at the effective tax rate under the relevant tax agreement. If the individual holder of H Shares is a resident of a country that has entered into a tax agreement with the PRC with a dividend tax rate of 20%, or a resident of a country in which the PRC has not entered into any tax agreement, or otherwise, the Company will withhold and pay personal income tax at the rate of 20%.

As of December 31, 2023, no shareholders have waived or agreed to waive any dividends.

6 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

7 REVIEW OF ANNUAL RESULTS

The Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (the chairlady of the Audit Committee) and Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao. Among them, Ms. ZHONG Wentang has the appropriate professional qualification (a Chinese certified public accountant accredited by the Chinese Institute of Certified Public Accountants).

The Audit Committee has reviewed the Group's annual results for the financial year ended December 31, 2023 and opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

8 COMPLIANCE WITH CG CODE

Save as disclosed below, during the Reporting Period and up to the date of this announcement, the Company has complied with all code provisions in the CG Code.

From March 10, 2023, Mr. ZHAO Xudong (“**Mr. Zhao**”) has no longer served as an independent non-executive Director and ceased to act as the chairman of the remuneration committee of the Board, and a member of the nomination committee of the Board of the Company due to retirement and personal health reasons. Following the resignation of Mr. Zhao, the number and composition of the independent non-executive Directors of the Company did not meet the following requirements of the Hong Kong Listing Rules that: (i) the Board shall include at least three independent non-executive directors under Rule 3.10 of the Hong Kong Listing Rules; (ii) the remuneration committee shall be chaired by an independent non-executive director under Rule 3.25 of the Hong Kong Listing Rules; and (iii) the members of the nomination committee shall comprise a majority of independent non-executive directors under Rule 3.27A of the Hong Kong Listing Rules. On March 10, 2023, the Board considered and approved the nomination of Ms. JIN Ling (“**Ms. Jin**”) as a candidate for an independent non-executive Director, and the chairman of the remuneration committee of the Board and a member of the nomination committee of the Board of the Company. The proposed election of Ms. Jin as an independent non-executive Director was approved by the Shareholders at the annual general meeting for the year 2022 of the Company on June 9, 2023. Since then, the Company has complied with the requirement of Rules 3.10, 3.25 and 3.27A of the Hong Kong Listing Rules.

9 COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as a code of conduct of the Company for its Directors’ and Supervisors’ securities transactions in the Company. Having made specific enquiry of all Directors and Supervisors of the Company, the Directors and the Supervisors of the Company have complied with the requirements set out in the Model Code during the Reporting Period.

10 EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events in the Group occurred since the end of the Reporting Period to the date of this announcement.

11 AUDITORS AND WORKING SCOPE

The consolidated financial statements of the Group for 2023, which have been prepared in accordance with China Accounting Standards for Business Enterprises have been audited by BDO, who has issued a standard audit report with unqualified opinions on the consolidated financial statements.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in Shareholders’ equity and the related notes thereto for the year ended December 31, 2023 as set out in the announcement have been agreed by BDO, to the amounts set out in the Group’s audited consolidated financial statements for 2023. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the announcement.

12 FINANCIAL REPORT

12.1 Accounting Policies

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and the relevant regulations issued by the Ministry of Finance on February 15, 2006 and in subsequent periods (hereafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “CAS”).

The financial statements are prepared on a going concern basis.

12.1.1 Changes in significant accounting policies and accounting estimates

12.1.1.1 Changes in significant accounting policies

The provision of the Interpretation No. 16 of Accounting Standards for Business Enterprises, “the accounting treatment for the deferred income taxes that are related to assets and liabilities arising from a single transaction and are not applicable for the initial recognition exemption” has been implemented.

On November 30, 2022, the Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”), which stipulates that “the accounting treatment for the deferred income taxes that are related to assets and liabilities arising from a single transaction and are not applicable for the initial recognition exemption”, which is effective from January 1, 2023.

Interpretation No. 16 stipulates that for a single transaction (including the lease transaction for which the lessee initially recognizes the lease liabilities on the beginning date of the lease term as use right assets, as well as the transaction in which provisions are recognized for fixed assets with retirement obligations as cost of such assets) that is not a business merger, does not affect either accounting profit or taxable income (or deductible loss) when occurring, and gives rise to equal taxable temporary differences and deductible temporary differences as a result of the initial recognition of its assets and liabilities, if the provisions of exemption from the initial recognition of deferred income tax liabilities and deferred income tax assets are not applicable, the enterprise shall recognize corresponding deferred income tax liabilities and deferred income tax assets, respectively, when the transaction occurs, according to the relevant provisions of Accounting Standards for Business Enterprises No. 18 – Income Tax.

For a single transaction that occurs between the beginning of the earliest period for the presentation of the financial statements to which the provisions are first applied and the date of implementation, and for the lease liabilities and use rights assets recognized as a result of the single transaction to which the provisions are applied at the beginning of the earliest period for the presentation of the financial statements, as well as for the provisions for retirement obligations recognized and such assets involved, if taxable temporary differences and deductible temporary differences arise, the enterprise shall make adjustment in accordance with the provisions.

The Company has implemented the provisions from January 1, 2023, and the implementation of the provisions has no impact on the Company's statements.

12.1.1.2 Changes in significant accounting estimates

During the Reporting Period, there were no changes in the Company's principal accounting estimates.

12.2 Annual Consolidated Financial Information

The annual consolidated financial information of the Group prepared in accordance with the China Accounting Standard for Business Enterprises is set out as follows:

12.2.1 Annual Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Items	Year ended December 31,	
	2023	2022
I. Total revenue	1,596,265,532	1,484,903,042
Including: Revenue	1,596,265,532	1,484,903,042
Interest income	—	—
Premium income	—	—
Fees and commissions income	—	—
II. Total cost of sales	1,495,651,128	1,435,161,134
Including: Cost of sales	1,185,129,955	1,131,971,943
Interest expenses	—	—
Fees and commissions expenses	—	—
Surrenders	—	—
Net claims expenses	—	—
Net provisions for insurance contracts reserve	—	—
Insurance policy dividend paid	—	—
Reinsurance costs	—	—
Taxes and surcharges	6,474,904	4,960,286
Selling and distribution expenses	17,102,355	15,004,028
General and administrative expenses	213,025,707	205,887,172
Research and development expenses	32,466,196	33,027,988
Financial expenses	41,452,011	44,309,717
Including: Interest expenses	39,936,115	45,149,998
Interest income	5,265,571	2,761,765

Items	Year ended December 31,	
	2023	2022
Add: Other income	15,976,715	14,907,711
Investment income		
(losses represented with “-” signs)	-6,067,197	2,850,458
Including: Investment income from associates and joint ventures	-6,465,279	-15,926,847
Derecognition income of financial assets measured at the amortized cost	—	—
Foreign exchange gains		
(losses represented with “-” signs)	—	—
Gains from net exposure hedges		
(losses represented with “-” signs)	—	—
Gains from changes in fair value		
(losses represented with “-” signs)	214,405	-15,977,326
Credit impairment losses		
(losses represented with “-” signs)	-9,354,736	-25,191,541
Asset impairment losses		
(losses represented with “-” signs)	—	-10,345,461
Gains from disposal of assets		
(losses represented with “-” signs)	68,089	406,185
III. Operating profit		
(losses represented with “-” signs)	101,451,680	16,391,934
Add: Non-operating income	9,545,446	8,553,978
Less: Non-operating expenses	11,815,509	9,341,039
IV. Total profit		
(total losses represented with “-” signs)	99,181,617	15,604,873
Less: Income tax expenses	12,250,009	26,573,712
V. Net profit (net losses represented with “-” signs)	86,931,608	-10,968,839
(I) Classified by continuity of operations		
1. Net profit from continuing operations		
(net losses represented with “-” signs)	86,931,608	-10,968,839
2. Net profit from discontinued operations		
(net losses represented with “-” signs)	—	—
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (net losses represented with “-” signs)	85,947,807	-24,220,782
2. Non-controlling interests		
(net losses represented with “-” signs)	983,801	13,251,944

Items	Year ended December 31,	
	2023	2022
VI. Other comprehensive income, net of tax		
Other comprehensive income attributable to shareholders of the parent company, net of tax		
(I) Other comprehensive income that cannot be reclassified to profit and loss		
1. Changes arising from remeasurement of defined benefit plan	—	—
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method	—	—
3. Changes in fair value of other equity instrument investments	—	—
4. Changes in fair value due to the enterprise's own credit risk	—	—
(II) Other comprehensive income that can be reclassified to profit and loss		
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	—	—
2. Changes in fair value of other debt investments	—	—
3. Amount of financial assets reclassified into other comprehensive income	—	—
4. Credit impairment provisions for other debt investments	—	—
5. Reserves for cash flow hedges	—	—
6. Exchange difference on translation of financial statements in foreign currencies	—	—
7. Others	—	—
Other comprehensive income attributable to non-controlling interests, net of tax	—	—
VII. Total comprehensive income	86,931,608	-10,968,838
Attributable to shareholders of the parent company	85,947,807	-24,220,782
Attributable to non-controlling interests	983,801	13,251,944
VIII. Earnings per share:		
(I) Basic (RMB per share)	1.15	-0.32
(II) Diluted (RMB per share)	1.15	-0.32

12.2.2 Annual Consolidated Balance Sheets

(All amounts in RMB Yuan unless otherwise stated)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash at bank and on hand	418,861,721	271,094,963
Settlement deposits	—	—
Placements with banks and other financial institutions	—	—
Financial assets held for trading	7,350,299	10,641,026
Derivative financial assets	—	—
Notes receivable	—	—
Accounts receivable	420,441,070	382,836,691
Receivables financing	—	—
Advances to suppliers	9,830,553	32,201,224
Premium receivable	—	—
Reinsurance accounts receivable	—	—
Provision for reinsurance contract receivable	—	—
Other receivables	69,705,729	37,195,220
Financial assets purchased for resale	—	—
Inventories	60,600,180	58,331,397
Contract assets	—	—
Assets held for sale	—	—
Current portion of non-current assets	—	—
Other current assets	858,020	752,325
Total current assets	987,647,572	793,052,846

ASSETS	December 31, 2023	December 31, 2022
Non-current assets:		
Granted loans and advances	—	—
Debt investments	—	—
Other debt investments	—	—
Long-term accounts receivable	14,000,000	14,000,000
Long-term equity investments	139,071,987	143,546,246
Investment in other equity instruments	—	—
Other non-current financial assets	65,099,055	63,116,852
Investment properties	—	—
Fixed assets	794,856,343	695,020,441
Construction in progress	186,980,241	152,497,400
Productive biological assets	—	—
Oil and gas assets	—	—
Right-of-use assets	189,054,507	190,403,752
Intangible assets	320,321,705	254,684,348
Development expenditure	—	—
Goodwill	119,909,089	107,655,738
Long-term prepaid expenses	175,910,626	189,586,339
Deferred tax assets	45,146,271	20,682,398
Other non-current assets	9,689,211	13,541,047
Total non-current assets	<u>2,060,039,035</u>	<u>1,844,734,561</u>
TOTAL ASSETS	<u>3,047,686,607</u>	<u>2,637,787,407</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2023	December 31, 2022
Current liabilities:		
Short-term borrowings	127,001,700	203,000,000
Borrowings from central bank	—	—
Placements from banks and other financial institutions	—	—
Financial liabilities held for trading	12,400,000	13,922,929
Derivative financial liabilities	—	—
Notes payable	1,545,021	997,944
Accounts payable	110,060,008	85,773,062
Receipts in advance	26,563,603	29,894,837
Contract liabilities	—	—
Financial assets sold under repurchase agreements	—	—
Receipt of deposits and deposits from other banks	—	—
Funds received as agent of stock exchange	—	—
Funds received as stock underwriter	—	—
Employee benefits payable	84,324,006	70,588,350
Taxes payable	38,553,746	33,507,164
Other payables	150,270,575	72,193,730
Fees and commissions payable	—	—
Reinsurance accounts payable	—	—
Liabilities held for sale	—	—
Current portion of non-current liabilities	250,411,757	147,598,324
Other current liabilities	—	—
Total current liabilities	<u>801,130,416</u>	<u>657,446,340</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2023	December 31, 2022
Non-current liabilities:		
Provision for insurance contracts	—	—
Long-term borrowings	557,719,215	391,010,000
Bonds payable	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Lease liabilities	163,239,533	171,437,740
Long-term payables	61,351,341	42,404,938
Long-term employee benefits payables	—	—
Provisions	—	—
Deferred income	8,734,099	9,037,891
Deferred tax liabilities	47,306,056	40,547,879
Other non-current liabilities	—	—
Total non-current liabilities	<u>838,350,244</u>	<u>654,438,448</u>
Total liabilities	<u>1,639,480,660</u>	<u>1,311,884,788</u>
Shareholders' equity:		
Share capital	74,600,300	74,600,300
Other equity instruments	—	—
Including: Preferred shares	—	—
Perpetual bonds	—	—
Capital surplus	852,695,602	855,078,533
Less: Treasury stock	12,587,012	—
Other comprehensive income	—	—
Special reserves	—	—
Surplus reserve	38,399,577	38,399,577
Provision for general risks	—	—
Retained earnings	311,956,229	233,506,534
Total equity attributable to shareholders of the parent company	1,265,064,696	1,201,584,945
Non-controlling interests	143,141,251	124,317,674
Total shareholders' equity	<u>1,408,205,947</u>	<u>1,325,902,619</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,047,686,607</u>	<u>2,637,787,407</u>

12.2.3 Annual Consolidated Statements of Cash Flow
(All amounts in RMB Yuan unless otherwise stated)

Items	Year ended December 31,	
	2023	2022
I Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,563,715,824	1,452,028,763
Net increase in customer deposits and interbank deposits	—	—
Net increase in borrowings from central bank	—	—
Net increase in placements from other financial institutions	—	—
Cash received from original insurance contract premium	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits and investments from policyholders	—	—
Cash received from interests, fees and commissions	—	—
Net increase in placements from banks and other financial institutions	—	—
Net increase in cash from repurchase business	—	—
Net cash received from securities brokerage services	—	—
Refund of taxes and levies	—	—
Cash received relating to other operating activities	<u>215,257,897</u>	<u>100,857,821</u>
Sub-total of cash inflows of operating activities	<u>1,778,973,721</u>	<u>1,552,886,584</u>
Cash paid for goods and services	534,160,766	613,477,475
Net increase in customer loans and advances	—	—
Net increase in deposits with central bank and other banks	—	—
Cash paid for compensation under original insurance contract	—	—
Net increase in placements with banks and other financial institutions	—	—
Cash paid for interests, fees and commissions	—	—
Cash paid for policyholders' dividends	—	—
Cash paid to and on behalf of employees	588,242,659	525,082,523
Payments of taxes and surcharges	54,415,007	51,200,498
Cash paid relating to other operating activities	<u>337,122,052</u>	<u>135,905,523</u>
Sub-total of cash outflows of operating activities	<u>1,513,940,484</u>	<u>1,325,666,020</u>
Net cash flows from operating activities	<u><u>265,033,237</u></u>	<u><u>227,220,564</u></u>

Items	Year ended December 31,	
	2023	2022
II. Cash flows from investing activities		
Cash received from disposal of investments	8,279,458	–
Cash received from returns on investments	–	1,650,804
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,924,937	24,100,367
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	1,248,000	–
Sub-total of cash inflows of investing activities	12,452,395	25,751,171
Cash paid to acquire fixed assets, intangible assets and other long-term assets	179,732,394	236,910,179
Cash paid to acquire investments	2,447,873	–
Net increase in pledged loans	–	–
Net cash paid to acquire subsidiaries and other business units	31,289,153	53,685,701
Cash paid relating to other investing activities	14,000,060	8,770,704
Sub-total of cash outflows of investing activities	227,469,480	299,366,584
Net cash flows from investing activities	-215,017,085	-273,615,413

Items	Year ended December 31,	
	2023	2022
III. Cash flows from financing activities		
Cash received from capital contributions	2,999,500	9,153,084
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	2,999,500	9,153,084
Cash received from borrowings	605,774,670	387,500,000
Cash received relating to other financing activities	55,900,000	151,420,250
Sub-total of cash inflows of financing activities	664,674,170	548,073,334
Cash repayments of borrowings	357,677,873	324,220,000
Cash payments for distribution of dividends, profit or interest expenses	35,398,809	51,554,508
Including: Cash payments for distribution of dividends and profit by subsidiaries to non-controlling shareholders	3,001,921	—
Cash paid relating to other financing activities	175,490,617	56,121,295
Sub-total of cash outflows of financing activities	568,567,299	431,895,803
Net cash flows from financing activities	96,106,871	116,177,531
IV. Effect of foreign exchange rate changes on cash and cash equivalents	4,325	78,463
V. Net increase in cash and cash equivalents	146,127,348	69,861,145
Add: Cash and cash equivalents at the beginning of the period	258,595,991	188,734,846
VI. Cash and cash equivalents at the end of the period	404,723,339	258,595,991

12.2.4 Consolidated Statement of Changes in Shareholders' Equity

(All amounts in RMB Yuan unless otherwise stated)

Items	Other equity instruments				Amount for the current period								Non – controlling interests	Total owners’ equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Equity attributable to owners of the parent company				Special reserve	Surplus reserve	Provision for general risk	Retained earnings			Subtotal
					Capital reserve	Treasury stock	Less: comprehensive income	Other							
I. Balance as at the end of the previous year	74,600,300	-	-	-	855,078,533	-	-	-	-	38,399,577	-	233,056,534	1,201,584,944	124,317,674	1,325,902,618
Plus: Changes in															
accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combinations under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at the beginning of the current year	74,600,300	-	-	-	855,078,533	-	-	-	-	38,399,577	-	233,506,534	1,201,584,944	124,317,674	1,325,902,618
III. Increases/decreases in the current period (“–” for decreases)	-	-	-	-	-2,382,932	12,587,012	-	-	-	-	-	78,449,695	63,479,752	18,823,577	82,303,329
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	85,947,807	85,947,807	983,801	86,931,608
(II) Owner contribution and capital decrease	-	-	-	-	-	12,587,012	-	-	-	-	-	-	-12,587,012	20,730,697	8,143,685
1. Common stock contributed by owners	-	-	-	-	-	12,587,012	-	-	-	-	-	-	-12,587,012	20,730,697	8,143,685
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share- based payments recognized in owners’ equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Items	Amount for the current period													
	Other equity instruments				Equity attributable to owners of the parent company									Non – controlling interests
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:		Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		Total owners' equity
						Treasury stock	Other comprehensive income							
(III) Distribution of profits	-	-	-	-	-	-	-	-	-	-	-7,498,112	-7,498,112	-2,890,921	-10,389,033
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-7,498,112	-7,498,112	-2,890,921	-10,389,033
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Items	Amount for the current period														
	Other equity instruments				Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less:	Other	Special reserve	Surplus reserve	Provision for general risk	Retained earnings			Subtotal
								income							
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(VI)Others	-	-	-	-	-2,382,932	-	-	-	-	-	-	-	-2,382,932	-2,382,932	
IV. Balance as at the end of the period	74,600,300	-	-	-	852,695,602	12,587,012	-	-	38,399,577	-	311,956,229	1,265,064,696	143,141,251	1,408,205,947	

Items	Amount for the previous period													
	Other equity instruments				Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
I. Balance as at the end of the previous year	74,600,300	–	–	–	838,165,396	–	–	–	38,399,577	–	257,098,624	1,208,263,897	72,015,224	1,280,279,121
Plus: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of accounting errors in prior periods	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combinations under common control	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at the beginning of the current year	74,600,300	–	–	–	838,165,396	–	–	–	38,399,577	–	308,282,287	1,261,390,753	142,995,237	1,404,385,900
III. Increases/decreases in the current period (“–” for decreases)	–	–	–	–	16,913,137	–	–	–	–	–	-23,592,090	-6,678,953	52,302,450	45,623,497
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	-24,220,782	-24,220,782	13,251,943	-10,968,839
(II) Owner contribution and capital decrease	–	–	–	–	12,214,419	–	–	–	–	–	–	12,214,419	43,363,507	55,577,926
1. Common stock contributed by owners	–	–	–	–	–	–	–	–	–	–	–	–	43,363,507	43,363,507
2. Capital invested by holders of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amounts of share-based payments recognized in owners’ equity	–	–	–	–	12,214,419	–	–	–	–	–	–	12,214,419	–	12,214,419
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Items	Other equity instruments				Amount for the previous period Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:	Other	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
						Treasury stock	comprehensive income							
(III)Distribution of profits	–	–	–	–	–	–	–	–	–	–	–	–	-4,313,000	-4,313,000
1. Withdrawal of surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Withdrawal of provision for general risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distributed to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	–	–	-4,313,000	-4,313,000
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(IV)Internal carry-forward of owners’ equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserves into paid-in capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Conversion of surplus reserves into paid-in capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserves offsetting losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Carry-forward of changes in the defined benefit plan for retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Carry-forward of other comprehensive income for retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Items	Amount for the previous period													
	Other equity instruments				Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:		Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
						Treasury stock	Other comprehensive income							
(V) Special reserves	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Withdrawal for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Usage for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VI)Others	–	–	–	–	4,698,718	–	–	–	–	–	628,692	5,327,410	–	5,327,410
IV. Balance as at the end of the period	74,600,300	–	–	–	855,078,533	–	–	–	38,399,577	–	233,506,534	1,201,584,944	124,317,674	1,325,902,618

12.3 Notes to the Consolidated Annual Financial Information prepared in accordance with the China Accounting Standard for Business Enterprises

12.3.1 Accounts receivable

The aging analysis of accounts receivables based on the billing date is as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
Within 1 year	425,833,221	388,961,193
1 – 2 years	6,696,710	4,755,920
2 – 3 years	4,480,033	3,941,367
Over 3 years	7,780,010	5,180,894
Subtotal	<u>444,789,973</u>	<u>402,839,374</u>
Less: Provision for bad debts	24,348,904	20,002,683
Total	<u><u>420,441,070</u></u>	<u><u>382,836,691</u></u>

Accounts receivable shown by classification of bad debt provisions

	December 31, 2023				
	Balance of carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for bad debts on the individual basis	19,507,031	4.4	12,854,582	65.9	6,652,449
Including:					
Amount due from patients	19,507,031	4.4	12,854,582	65.9	6,652,449
Accounts receivable with provision for bad debts on the grouping basis	425,282,942	95.6	11,494,321	2.7	413,788,621
Including:					
Overdue days grouping	<u>425,282,942</u>	<u>95.6</u>	<u>11,494,321</u>	<u>2.7</u>	<u>413,788,621</u>
Total	<u><u>444,789,973</u></u>	<u><u>100.0</u></u>	<u><u>24,348,903</u></u>	<u><u>5.5</u></u>	<u><u>420,441,070</u></u>

	December 31, 2022		December 31, 2022		Book value
	Balance of carrying amount	Proportion	Provision for bad debts	Percent of provision	
	Amount	(%)	Amount	(%)	
Accounts receivable with provision for bad debts on the individual basis	18,221,976	4.5	12,514,143	67.7	5,707,833
Including:					
Amount due from patients	18,221,976	4.5	12,514,143	68.7	5,707,833
Accounts receivable with provision for bad debts on the grouping basis	384,617,398	95.5	7,488,540	2.0	377,128,858
Including:					
Overdue days grouping	384,617,398	95.5	7,488,540	2.0	377,128,858
Total	<u>402,839,374</u>	<u>100.0</u>	<u>20,002,683</u>	<u>5.0</u>	<u>382,836,691</u>

12.3.2 Accounts payable

The aging analysis of accounts payable based on the billing date is as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
Within one year	107,790,035	84,193,739
One to two years	1,815,169	1,161,389
Two year to three years	85,740	71,969
Above three years	369,064	345,965
Total	<u>110,060,008</u>	<u>85,773,062</u>

12.3.3 Revenue and cost of sales

Analysis of revenue and cost of sales

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Cost	Revenue	Cost
Main businesses	1,485,160,595	1,107,920,077	1,366,816,938	1,040,114,650
Other businesses	111,104,937	77,209,878	118,086,104	91,857,293
Total	<u>1,596,265,532</u>	<u>1,185,129,955</u>	<u>1,484,903,042</u>	<u>1,131,971,943</u>

Breakdown of revenue:

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue from main businesses	1,485,160,595	1,366,816,938
Including: Pharmaceutical sales	322,733,829	305,118,303
Treatments and general healthcare services	1,162,426,766	1,061,698,635
Revenue from other businesses	111,104,937	118,086,104
Including: Wholesale and retail revenue of pharmaceutical and equipment	64,381,374	85,464,736
Management service	2,970,297	3,000,000
Rental income	5,348,551	8,067,969
Others	38,404,715	21,553,398
Total	<u>1,596,265,532</u>	<u>1,484,903,042</u>

12.3.4 Credit impairment losses

	Year ended December 31,	
	2023	2022
Losses on bad debts of accounts receivable	7,172,896	11,260,563
Losses on bad debts of other receivables	2,181,839	13,930,978
	<u>9,354,735</u>	<u>25,191,541</u>
Total	<u>9,354,735</u>	<u>25,191,541</u>

12.3.5 Earning per Share

Basic earning per Share

	Year ended December 31,	
	2023	2022
Consolidated net profit attributable to the ordinary Shareholders of the parent company	85,947,807	-24,220,782
Weighted average number of outstanding ordinary Shares of the Company	74,600,300	74,600,300
Basic earning per Share	1.15	-0.32
Including: Basic earning per Share from continuing operations	1.15	-0.32
Basic earning per Share from discontinued operations	—	—

Diluted earning per Share

Diluted earning per Share is calculated by the consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted) divided by the weighted average number of outstanding ordinary Shares of the Company (diluted):

	Year ended December 31,	
	2023	2022
Consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted)	85,947,807	-24,220,782
Weighted average number of outstanding ordinary Shares of the Company (diluted)	74,600,300	74,600,300
Diluted earning per Share	1.15	-0.32
Including: Diluted earning per Share from continuing operations	1.15	-0.32
Diluted earning per Share from discontinued operations	—	—

12.3.6 Income tax expenses

Table of income tax expenses

	Year ended December 31,	
	2023	2022
Current income tax expenses	36,259,411	40,192,565
Deferred income tax expenses	<u>-24,009,402</u>	<u>-13,618,853</u>
Total	<u>12,250,009</u>	<u>26,573,172</u>

Reconciliation between total profit and income tax expenses

	Year ended December 31,	
	2023	2022
Total profit	<u>99,181,617</u>	<u>15,604,874</u>
Income tax expenses calculated at the statutory tax rates	19,960,640	3,028,480
Impact of different tax rates applicable to subsidiaries	-223,220	7,125,277
Adjustment to impact of income tax of past periods	-189,327	-3,896,947
Impact of non-taxable income	3,879,078	-5,563,847
Impact of non-deductible costs, expenses and losses	2,133,262	1,736,913
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-18,633,562	137,339
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	13,333,667	31,726,873
Additional deduction of research and development expenses	-4,674,287	-4,141,335
Impact of business combination involving enterprise not under common control	-1,945,480	-2,298,769
Others	<u>-1,390,762</u>	<u>-1,280,272</u>
Income tax expenses	<u>12,250,009</u>	<u>26,573,712</u>

12.3.7 Dividend

On March 28, 2024, the Board of Directors proposed a final dividend of RMB22,380,090 (inclusive of tax) for the year ended December 31, 2023, calculated on the basis of 74,600,300 shares of the Company in issue as at December 31, 2023. The proposed dividend is subject to the approval of the AGM.

On July 31, 2023, the Board of Directors proposed an interim dividend of RMB7,460,030 (inclusive of tax) for the six months ended June 30, 2023, based on 74,600,300 shares of the Company in issue as at June 30, 2023. The proposed dividend was approved at the first extraordinary general meeting of 2023 held on September 27, 2023.

On April 14, 2023, the Board of Directors proposed not to pay a final dividend for the year ended December 31, 2022 to the shareholders. The proposed non-payment of dividend was approved at the annual general meeting for the year 2022 of the Company held on June 9, 2023.

13 DEFINITIONS

“AGM”	the annual general meeting of the Company for the year 2023 to be convened in due course
“Audit Committee”	the audit committee of the Board
“Beijing Yining Hospital”	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), a company established in the PRC with limited liability on August 17, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“Board”	the board of directors of the Company
“Cangnan Kangning Hospital”	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company’s wholly-es

“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2120)
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
“Dongkou Lening Hospital”	Dongkou Lening Hospital Co., Ltd. (洞口樂寧醫院有限公司), a company established in the PRC with limited liability on June 5, 2018, one of the Company’s direct non-wholly owned subsidiaries
“Group” or “we”	the Company and its subsidiaries
“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company's indirect non-wholly owned subsidiaries
“HK\$” or “HKD”	the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huainan Kangning Hospital”	Huainan Kangning Hospital Co., Ltd. (淮南康寧醫院有限公司), a company established in the PRC with limited liability on September 22, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Loudi Kangning Hospital”	Loudi City Kangle Kangning Hospital Co., Ltd. (婁底市康樂康寧醫院有限責任公司), a company established in the PRC with limited liability on August 28, 2017, one of the Company’s direct non-wholly owned subsidiaries
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company's direct non – wholly owned subsidiaries
“Linhai Cining Hospital”	Linhai Cining Hospital Co., Ltd. (臨海慈寧醫院有限公司), a company established in PRC with limited liability on December 11, 2020, one of the Company’s indirect wholly-owned subsidiaries
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules

“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021, one of the Company’s wholly – owned subsidiaries
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃峰醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Final Dividend”	the proposed final dividend distribution plan of RMB3 (inclusive of tax) per 10 Shares for the year ended December 31, 2023 subject to the approval by the Shareholders at the AGM as described under the section headed “Proposed Final Dividend” of this announcement
“Quzhou Yining Hospital”	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company's indirect non-wholly owned subsidiaries
“Qingtian Kangning Hospital”	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company’s wholly-owned subsidiaries
“RMB”	the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Yining Hospital”	Shenzhen Yining Hospital (深圳怡寧醫院, previously known as Shenzhen Yining Hospital Co., Ltd. (深圳怡寧醫院有限公司), Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)), a company established in the PRC with limited liability on September 22, 2014, one of the Company’s indirect non-wholly owned subsidiaries
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Reporting Period”	the year ended December 31, 2023

“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s wholly-owned subsidiaries
“Wenzhou Ouhai Yining Elderly Hospital”	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd. (溫州甌海怡寧老年醫院有限公司), a company established in China with limited liability on March 8, 2021, one of the non-wholly owned subsidiaries of the Company
“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.(怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company’s indirect wholly-owned subsidiaries
“Yongjia Kangning Hospital”	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company’s wholly-owned subsidiaries
“Yueqing Kangning Hospital”	Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company’s wholly-owned subsidiaries
“Yueqing Yining Hospital”	Yueqing Yining Integrated Traditional Chinese and Western Medicine Hospital Co., Ltd. (樂清怡寧中西醫結合醫院有限公司), a company established in the PRC with limited liability on August 4, 2006, one of the Company’s direct wholly-owned subsidiaries, previously known as “Yueqing Bang-er Chinese & Western Medicine Hospital Limited (樂清邦爾中西醫結合醫院有限公司)”
“%”	percentage ratio

By Order of the Board
Wenzhou Kangning Hospital Co., Ltd.
GUAN Weili
Chairman

Zhejiang, the PRC
March 28, 2024

As of the date of this announcement, the Company’s executive Directors are Mr. GUAN Weili, Ms. WANG Lianyue and Mr. WANG Jian; the non-executive Directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-executive Directors are Ms. ZHONG Wentang, Ms. JIN Ling and Mr. CHAN Sai Keung Hugo.