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温州 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, 2024

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, 2024 (the "**Reporting Period**") with comparative figures for the previous financial year, i.e. financial year ended December 31, 2023.

1.2 The financial statements (the "**Financial Statements**") of the Group for the Reporting Period are prepared in accordance with China Accounting Standards for Business Enterprises.

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the year ended December 31,	
	2024	**2023**
	(RMB'000)	*(RMB'000)*
Revenue	**1,654,289**	1,596,266
Profit before income tax	**68,099**	99,182
Income tax expenses	**17,702**	12,250
Net profit	**50,398**	86,932
Net profit attributable to shareholders of the Company	**65,610**	85,948
Non-controlling interests	**-15,212**	984

	As at December 31, 2024	As at December 31, 2023
	(RMB'000)	*(RMB'000)*
Total assets	**3,004,953**	3,047,687
Total liabilities	**1,661,651**	1,639,481
Total equity	**1,343,302**	1,408,206
Equity attributable to shareholders of the Company	**1,223,013**	1,265,065
Non-controlling interests	**120,289**	143,141

	For the year ended December 31,	
	2024	**2023**
	(RMB'000)	*(RMB'000)*
Net cash generated from operating activities	**99,639**	265,033
Net cash used in investing activities	**-172,055**	-215,017
Net cash generated from financing activities	**-76,917**	96,107
Net increase in cash and cash equivalents	**-149,491**	146,127

3 BUSINESS REVIEW AND OUTLOOK

3.1 Business Review

In 2024, China's medical industry underwent structural adjustments amid multiple challenges. In the past year, amid the slowdown in global economic growth and the complicated and volatile external environment, coupled with the continued advancement of the reforms in medical insurance payment methods by the National Healthcare Security Administration, higher expectations and requirements have been placed on the medical industry. In the short to medium term, under the influence of multiple factors such as intensified peer competition, expansion of public hospitals and tightened medical insurance payment policies, the industry ecology of private hospitals was undergoing systematic restructuring. During the Reporting Period, with the strategic objective of "improving quality and efficiency, and seeking progress while maintaining stability (提質增效、穩中求進)", the Group focused on group-based resource integration, deeply explored the potential of advantageous disciplines, and strengthened its market position in the field of psychiatric healthcare by optimizing operational efficiency and the empowerment of information technology. The Group accelerated the deployment of the elderly medical service business territory and built a diversified business growth curve, so as to maintain a stable development in the cyclical fluctuations of the economy.

During the Reporting Period, the Group as a whole exhibited "stable yet concerning revenue and slightly pressured profit (收入穩中有憂、利潤略有承壓)". During the Reporting Period, the Group recorded total revenue of RMB1,654.3 million, representing an increase of 3.6% as compared with 2023. Among them, the revenue from operating its owned hospitals amounted to RMB1,517.8 million, representing an increase of 2.2% as compared with 2023. During the Reporting Period, the Group's net profit attributable to shareholders of the Company amounted to RMB65.6 million, representing a decrease of 23.7% as compared with 2023. As of December 31, 2024, the Group has 32 owned hospitals (December 31, 2023: 32), including an independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds increased to 11,508 (December 31, 2023:11,268).

Psychiatric Healthcare Business

Consolidation and deep cultivation of specialized advantages

In 2024, despite some divergence, the Group's psychiatric healthcare business remained generally stable, driven by supportive national policies and strong demand. In view of the normalized supervision of the national medical insurance fund, the Group actively adopted a series of refined management measures to continuously strengthen the operational efficiency. However, some owned hospitals faced significant profit pressure mainly due to the medical insurance settlement differences and the operating conditions falling short of expectations.

During the Reporting Period, established owned hospitals such as Wenzhou Kangning Hospital, Qingtian Kangning Hospital and Yongjia Kangning Hospital developed steadily. The results of two hospitals, namely Changchun Kanglin Psychological Hospital and Huainan Kangning Hospital grew rapidly year-on-year, making them the growth drivers for the Group's owned hospitals outside of Zhejiang Province. On the other hand, primarily due to the medical insurance settlement differences, structural adjustment to service models and market competition, the performance of some owned hospitals in the Taizhou and Haixi regions declined year-on-year. In addition, Shenzhen Yining Hospital and Chengdu Yining Hospital, which had been making losses, managed to reduce losses through active business

structure optimization and operating cost reduction, leading to gradual improvement in operational conditions. However, Beijing Yining Hospital and Jinyun Shuning Hospital, primarily due to an unstable management team and high operational costs, have significantly underperformed expectations. The Group has redeveloped the operation plans for both hospitals in an effort to turn the situation around.

Elderly Healthcare Business

Expansion and synergy of the elderly healthcare sector

Under the macro environment of the accelerating aging of China's population, the deepening of the national "healthy aging(老齡健康)" policy and the rapid spread of smart healthcare technologies, China's "silver economy (銀發經濟)" market scale is further expanding, with the health needs of the elderly, such as preventive healthcare and rehabilitation care, continuing to grow. The Group focuses on the integrated medical and nursing model, building a comprehensive service system that covers prevention, treatment, rehabilitation, and long-term care. This system provides comprehensive and multi-level health services for the elderly and the elderly patients with disability, dementia, and chronic diseases, etc.

As of December 31, 2024, the Group has opened six elderly hospitals, with one health care project under construction and approximately 2,580 beds available, generating healthcare business income of approximately RMB461.9 million in 2024, accounting for 30.4% of the Group's revenue from the operation of owned hospitals, the overall trend shows an expansion in demand and profitability enhancement. During the Reporting Period, the businesses of Geriatric Hospital and Wenzhou Cining Hospital maintained stable growth. Yueqing Yining Hospital and Cangnan Kangning Hospital gradually demonstrated their competitiveness and performed well. However, Pingyang Changgeng Yining Hospital and Wenzhou Ouhai Yining Geriatric Hospital were still in their growth stage, and the profits have yet to be released.

3.2 Business Highlights

In 2024, the Group stuck to its core target of connotative development and achieved a number of breakthroughs in scientific research innovation and discipline development. In terms of scientific research, the Group applied for 25 scientific research projects at all levels, published 164 academic papers (including 85 SCI papers), and obtained 6 patents (including 5 invention patents), demonstrating strong scientific research and innovation capabilities. In terms of disciplines development, the Group was successfully included in the "Small but Strong" Clinical Cultivation and Innovation Team Project in Zhejiang Province (浙江省"小而強"臨床培育創新團隊項目) (in the field of pediatric attention deficit hyperactivity disorder). Meanwhile, the Group accelerated the establishing of the clinical medical research center for psychiatric illnesses in Zhejiang Province, and completed the inspection work for the International Science and Technology Cooperation Base for Digital Psychiatry and Alzheimer's Disease Diagnosis and Treatment in Zhejiang Province, doctoral innovation stations and academician workstations during the year. In addition, by deepening strategic cooperation with Wenzhou Medical University and its affiliated hospitals, the Group focused on establishing a development pathway of "high-end academic platform + international forums," building a high-level ecosystem combining industry and education that provides sustained momentum for the Group's innovative development. In terms of key project development, the Group is fully committed to advance innovative projects such as the "Intelligent Assisted Diagnosis System" and the "Self-awareness System Application." By leveraging the dual drivers of technological breakthroughs and the transformation of achievements, the Group has significantly enhanced its capacity for medical research and innovation, as well as its industry competitiveness, thereby laying a solid foundation for high-quality development.

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 2022 to 2024, reimbursement amount from public medical insurance accounted for 69.3%, 68.7% and 71.7% 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 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 2025, China continues to make efforts in the process of diversifying the healthcare system reform, deeply implementing comprehensive reforms in the medical and healthcare sector. On the supply side, China continues to encourage social forces to participate in the construction of the healthcare service system, actively guiding private healthcare in areas of public concern such as rehabilitation, nursing care, mental health, and "elderly care and child care" services. On the regulatory side, the government has further strengthened regulation over medical service behaviors and the use of medical insurance funds. These policy measures have had a profound impact on the Group's operating cost structure and management model, bringing new development opportunities while also raising higher management requirements. In the face of opportunities and challenges brought about by the external policy environment and market competition, the Group will focus on enhancing the quality of medical services and the refined management level as its core objectives. It will deepen its focus on the mental health and elderly healthcare specialized sectors, emphasizing on strengthening its core competitiveness and the resilience of its business sectors layout. Meanwhile, by reinforcing specialized barriers, the Group aims to build a sustainable growth model, focusing on three key directions: firstly, the Group will deepen the integration of business and finance, establish a management system for medical insurance settlement differences, and establish a dynamic monitoring and analysis mechanism to achieve the dual optimization of the use efficiency of medical insurance funds and the rationality of fee structure; secondly, the Group will improve asset operation efficiency, increase resource investment in high-potential branches to drive capacity release, and optimize inefficient assets to carry out structural adjustments; thirdly, the Group will promote digitalization construction and implementation of AI applications to empower hospitals' innovative development.

Looking ahead, the Group will transform external pressures into internal quality improvement momentum, guided by policy, focused on efficiency, and driven by differentiation. The Group will actively respond to the dual challenges of the normalization of medical insurance cost control and intensified market competition. It will gradually shift from "scale expansion" to "quality-driven" transformation, always adhering to the core value of "Respecting Life and Serving Humbly," and committing to providing patients with higher quality, more efficient, and accessible professional medical services.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

The Group recorded revenue of RMB1,654.3 million during the Reporting Period, representing an increase of 3.6% as compared with 2023. Among them, the revenue from operating its owned hospitals amounted to RMB1,517.8 million, representing an increase of 2.2% as compared with 2023. During the Reporting Period, the gross profit margin of its owned hospitals was 25.9% (2023: 25.4%). The overall gross profit of the Group increased to RMB438.4 million, representing an increase of 6.6% as compared with 2023. During the Reporting Period, net profit attributable to shareholders of the Company for the Reporting Period amounted to RMB65.6 million, representing a decrease of 23.7% as compared with 2023. Excluding the one-off asset impairment losses of RMB16.5 million, the net profit attributable to shareholders of the Company for the Reporting Period would be RMB78.0 million, representing a decrease of 9.3% as compared with 2023. During the Reporting Period, the net cash generated from operating activities of the Group amounted to RMB99.6 million (2023: RMB265.0 million), representing a decrease of RMB165.4 million as compared with 2023, mainly due to the increase of RMB134.9 million in outstanding medical insurance receivables as of December 31, 2024 as compared with December 31, 2023. As of the date of this announcement, the Group has received medical insurance receivables of RMB234.9 million as of December 31, 2024.

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,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Revenue from operating owned hospitals	**1,517,773**	1,485,161
Including: Revenue from psychiatric healthcare business	**1,055,907**	1,058,069
Revenue from elderly healthcare business	**461,866**	427,092
Revenue from other healthcare related business	**135,921**	105,756
Other revenue not related to healthcare business	**595**	5,349
Total revenue	**1,654,289**	1,596,266

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 by psychiatric healthcare business and elderly healthcare business for the periods indicated:

	For the year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Billing Revenue from owned hospitals	**1,582,054**	1,537,406
Including: Revenue from psychiatric healthcare business	**1,107,269**	1,095,073
Revenue from elderly healthcare business	**474,785**	442,333
Less: Variable considerations	**64,281**	52,245
Revenue from operating owned hospitals – net	**1,517,773**	1,485,161

For the Reporting Period, the Group's Billing Revenue from its owned hospitals amounted to RMB1,582.1 million, representing an increase of 2.9% as compared with 2023, which was mainly due to an increase in treatment and general healthcare services revenue driven by higher outpatient visits and inpatient visits. During the Reporting Period, the variable considerations amounted to RMB64.3 million, representing an increase of RMB12.0 million from 2023, the proportion of the variable considerations to Billing Revenue increased to 4.1% (2023: 3.4%).

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

	For the year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Billing Revenue from psychiatric healthcare business	**1,107,269**	1,095,073
Cost of revenue	**745,959**	736,163
Gross profit	**361,310**	358,910
Billing Revenue from elderly healthcare business	**474,785**	442,333
Cost of revenue	**379,458**	371,757
Gross profit	**95,327**	70,576

During the Reporting Period, Billing Revenue from the Group's owned hospitals amounted to RMB1,582.1 million, representing an increase of RMB44.6 million as compared with 2023, mainly due to the increase in Billing Revenue from Wenzhou Kangning Hospital, Wenzhou Ouhai Yining Geriatric Hospital, Yongjia Kangning Hospital, Yueqing Yining Hospital and Cangnan Yining Hospital, as well as the increment arising from newly acquired Loudi Kangning Hospital, Dongkou Leining Hospital and Chengdu Yining Hospital. During the Reporting Period, the gross profit of the Group's owned hospitals on Billing Revenue basis increased by 6.3% as compared with 2023, 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 by psychiatric healthcare business and elderly healthcare business for the periods indicated, with relevant operating data:

Psychiatric healthcare business

	For the year ended December 31,	
	2024	2023
Inpatients		
Inpatient bed as at period end	**8,928**	8,728
Effective inpatient service bed-day capacity	**3,267,648**	3,185,720
Utilization rate *(%)*	**88.4**	85.9
Number of inpatient bed-days	**2,889,163**	2,736,235
Treatment and general healthcare services revenue attributable to inpatients *(RMB'000)*	**844,076**	841,617
Average inpatient spending per bed-day on treatment and general healthcare services *(RMB)*	**292**	308
Pharmaceutical sales revenue attributable to inpatients *(RMB'000)*	**89,656**	87,951
Average inpatient spending per bed-day on pharmaceutical sales *(RMB)*	**31**	32
Total inpatient revenue *(RMB'000)*	**933,732**	929,568
Total average inpatient spending per bed-day *(RMB)*	**323**	340
Outpatients		
Number of outpatient visits	**474,581**	395,277
Treatment and general healthcare services revenue attributable to outpatients *(RMB'000)*	**45,078**	45,025
Average outpatient spending per visit on treatment and general healthcare services *(RMB)*	**95**	114
Pharmaceutical sales revenue attributable to outpatients *(RMB'000)*	**128,459**	120,480
Average outpatient spending per visit on pharmaceutical sales *(RMB)*	**271**	305
Total outpatient revenue *(RMB'000)*	**173,537**	165,505
Total average outpatient spending per visit *(RMB)*	**366**	419

	For the year ended December 31,	
	2024	2023
Total treatment and general healthcare services revenue *(RMB'000)*	**889,154**	886,642
Total pharmaceutical sales revenue *(RMB'000)*	**218,115**	208,431

During the Reporting Period, inpatient Billing Revenue from the psychiatric healthcare business amounted to RMB933.7 million, representing an increase of 0.4% as compared with 2023, mainly due to the increase in the number of inpatient bed-days of Yongjia Kangning Hospital, Qingtian Kangning Hospital and Jinyun Shuning Hospital as well as the increase of 5.6% in the number of bed-days under the psychiatric healthcare business driven by the newly acquired Loudi Kangning Hospital, Dongkou Lening Hospital and Chengdu Yining Hospital in 2023. The spending per bed-day under the psychiatric healthcare business decreased by 5.0% driven by Wenzhou Kangning Hospital, Cangnan Kangning Hospital and Chun'an Kangning Hospital. Inpatient Billing Revenue from the psychiatric healthcare business accounted for 84.3% (2023: 84.9%) of the Billing Revenue from the psychiatric healthcare business.

During the Reporting Period, outpatient Billing Revenue from the psychiatric healthcare business amounted to RMB173.5 million, representing an increase of 4.9% as compared with 2023, mainly attributable to the decrease of 12.6% in the average outpatient spending per visit together with the increase of 20.1% in the number of outpatient visits. Outpatient Billing Revenue from the psychiatric healthcare business accounted for 15.7% (2023: 15.1%) of the Billing Revenue from the psychiatric healthcare business.

During the Reporting Period, as both the inpatient and outpatient segments under the psychiatric healthcare business grew, the Billing Revenue from treatment and general healthcare services under the psychiatric healthcare business increased by 0.3% as compared with 2023, with its proportion to the Billing Revenue from the psychiatric healthcare business dropping to 80.3% (2023: 81.0%), and the Billing Revenue from pharmaceutical sales under the psychiatric healthcare business increased by 4.6% as compared with 2023, accounting for 19.7% (2023: 19.0%) of the Billing Revenue from the psychiatric healthcare business. In particular, the proportion of inpatient Billing Revenue from pharmaceutical sales to the total inpatient Billing Revenue increased to 9.6% (2023: 9.5%), and the proportion of outpatient Billing Revenue from pharmaceutical sales to the total outpatient Billing Revenue increased to 74.0% (2023: 72.8%).

Elderly healthcare business

	For the year ended December 31,	
	2024	2023
Inpatients		
Inpatient bed as at period end	**2,580**	2,540
Effective inpatient service bed-day capacity	**944,280**	927,100
Utilization rate *(%)*	**96.1**	

During the Reporting Period, inpatient Billing Revenue from the elderly healthcare business amounted to RMB439.7 million, representing an increase of 12.9% as compared with 2023, primarily attributable to the increase of 23.4% in the number of inpatient bed-days under the elderly healthcare business driven by the increase in the number of inpatient bed-days of Wenzhou Ouhai Yining Geriatric Hospital, Cangnan Yining Hospital and Yueqing Yining Hospital. Inpatient Billing Revenue from the elderly healthcare business accounted for 92.6% (2023: 88.1%) of the Billing Revenue from the elderly healthcare business.

During the Reporting Period, outpatient Billing Revenue from the elderly healthcare business amounted to RMB35.1 million, representing a decrease of 33.5% as compared with 2023, primarily due to the decrease of 20.5% in the number of outpatient visits and the decrease of 16.3% in the average outpatient spending per visit resulted from the declined outpatient business of Pingyang Changgeng Yining Hospital. Outpatient Billing Revenue from the elderly healthcare business accounted for 7.4% (2023: 11.9%) of the Billing Revenue from the elderly healthcare business.

During the Reporting Period, as the inpatient segment under the elderly healthcare business grew, the Billing Revenue from treatment and general healthcare services under the elderly healthcare business increased by 10.3% as compared with 2023, with its proportion to the Billing Revenue from the elderly healthcare business of owned hospitals rising to 76.2% (2023: 74.2%), and the Billing Revenue from pharmaceutical sales under the elderly healthcare business decreased by 1.1% as compared with 2023, accounting for 23.8% (2023: 25.8%) of the Billing Revenue from the elderly healthcare business. In particular, the proportion of inpatient Billing Revenue from pharmaceutical sales to the total inpatient Billing Revenue from the elderly healthcare business decreased to 21.3% (2023: 21.7%), and the proportion of outpatient Billing Revenue from pharmaceutical sales to the total outpatient Billing Revenue from the elderly healthcare business decreased to 55.5% (2023: 56.1%).

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,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Pharmaceuticals and consumables used	**340,120**	365,896
Employee benefits and expenses	**464,874**	435,287
Depreciation and amortization of long-term assets	**127,032**	121,071
Canteen expenses	**68,571**	65,183
Testing fees	**16,112**	21,092
Others	**108,708**	99,391
Cost of revenue of owned hospitals	**1,125,417**	1,107,920

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB1,125.4 million, representing an increase of 1.6% as compared with 2023. It was mainly due to: (i) the decrease of 7.0% of costs of pharmaceuticals and consumables as compared with 2023; (ii) the increase of 6.8% in employee benefits and expenses arising from the increase in beds in operation of owned hospitals; and (iii) depreciation and amortization of long-term assets increased by 4.9% as compared with 2023.

From the cost portfolio structure perspective, the proportion of pharmaceuticals and consumables used in the cost of revenue of owned hospitals decreased to 30.2% (2023: 33.0%). The proportion of employee benefits and expenses to cost of revenue of owned hospitals increased to 41.3% (2023: 39.3%). The proportion of depreciation and amortization of long-term assets to cost of revenue of owned hospitals was 11.3% (2023: 10.9%).

4.1.3 Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB12.3 million (2023: RMB6.5 million), mainly due to an increase in property tax of self-owned properties of RMB4.9 million as compared with 2023.

4.1.4 Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB10.0 million (2023: RMB17.1 million). The proportion of selling expenses to the revenue from operating owned hospitals of the Group decreased to 0.7% (2023: 1.2%).

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,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Employee benefits and expenses	**133,002**	117,426
Depreciation and amortization	**30,792**	29,101
Consultancy expenses	**9,037**	19,853
Travelling expenses	**4,978**	4,725
Others	**49,537**	41,921
Total administrative expenses	**227,346**	213,026

During the Reporting Period, the administrative expenses of the Group amounted to RMB227.3 million, representing an increase of 6.7% as compared with 2023, which was mainly due to an increase in employee benefits and expenses of 13.3% as compared with 2023. The proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 15.0% (2023: 14.3%).

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 table below sets forth the breakdown of the Group's research and development expenses for the periods indicated:

	For the year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Clinical research	**25,088**	20,552
Development of informatization software	**9,827**	8,436
Construction of Internet hospital platform	**1,604**	3,427
Others	**–**	51
Total	**36,519**	32,466

During the Reporting Period, the Group's research and development expenses amounted to RMB36.5 million (2023: RMB32.5 million), representing an increase of 12.5% as compared with 2023. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group increased to 2.4% (2023: 2.2%), mainly due to increased research funding support to Zhejiang Provincial Clinical Research Center for Mental and Psychological Disorders.

4.1.7 Finance Expenses – Net

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

	For the year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Interest income	**-3,123**	-5,266
Foreign exchange gains/losses	**157**	-4
Bank borrowing interest expense	**33,143**	30,180
Interest expenses on lease liabilities	**8,458**	9,755
Interest expenses on finance leases	**7,900**	5,694
Others	**1,058**	1,093
Finance expenses – net	**47,593**	41,452

During the Reporting Period, the net finance expense of the Group amounted to RMB47.6 million, representing an increase of RMB6.1 million as compared with 2023, mainly due to bank borrowing interest expense and interest expense arising from finance leases increased by RMB5.2 million in aggregate as compared with 2023.

4.1.8 Investment Gains/Losses

Our investment gains/losses consist of the share of investment losses accounted for under the equity method and gains on disposal of long-term equity investments. The

4.1.11 Non-Operating Income and Non-Operating Expenses

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

	For the year ended December 31,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Government grants	**86**	566
Donations received	**47**	5,975
Other non-operating income	**1,396**	3,004
Non-operating income	**1,529**	9,545
Losses on scrapping of non-current assets	**1,117**	291
Donation expenses	**2,698**	4,494
Expenses on medical disputes	**2,669**	3,830
Other non-operating expenses	**2,299**	3,201
Non-operating expenses	**8,783**	11,816

During the Reporting Period, the non-operating income of the Group amounted to RMB1.5 million, representing a decrease of RMB8.0 million as compared with 2023,

4.2 Financial Position

4.2.1 Inventory

As of December 31, 2024, the balance of inventory amounted to RMB50.6 million (as of December 31, 2023: RMB60.6 million), mainly including the medical inventory and turnover materials.

4.2.2 Accounts Receivable

As of December 31, 2024, the balance of accounts receivable amounted to RMB571.8 million (as of December 31, 2023: RMB420.4 million), representing an increase of 36.0% as compared with the balance as of December 31, 2023, mainly attributable to the increase in the amount reserved in the year-end final accounts as a result of the decrease in the daily pre-settlement amount due to the change in pre-settlement rules of the medical insurance plan.

During the Reporting Period, accounts receivable turnover days of the Group's business of owned hospitals were 54 days (2023: 46 days).

4.2.3 Other Receivables and Prepayments

As of December 31, 2024, other receivables and prepayments increased to RMB96.1 million (as of December 31, 2023: RMB79.5 million).

4.2.4 Long-term Equity Investments

As of December 31, 2024, the balance of long-term equity investments amounted to RMB99.4 million (as of December 31, 2023: RMB139.1 million), mainly due to the disposal of equity interests of Zhejiang Huangfeng Hospital Management Co., Ltd. for RMB21.6 million by the Group during the Reporting Period and the provision for impairment of investment in Chongqing Hechuan Kangning Hospital Co., Ltd. for RMB10.8 million.

4.2.5 Other Non-current Financial Assets

As of December 31, 2024, the balance of other non-current financial assets amounted to RMB36.8 million (as of December 31, 2023: RMB65.1 million), representing the Group's investment in Chongqing Jinpu Medical & Health Service Industry Equity Investment Fund Partnership (Limited Liabilities Partnership)(重慶金浦醫療健康服務產業股權投資基金合夥企業(有限合夥)).

4.2.6 Fixed Assets

As of December 31, 2024, the balance of fixed assets amounted to RMB889.5 million (as of December 31, 2023: RMB794.9 million), and the increase in fixed assets was mainly due to the transfer of properties of RMB115.9 million from construction in progress to fixed assets for the new construction project of Linhai Cining Hospital during the Reporting Period.

4.2.7 Construction in Progress

As of December 31, 2024, the balance of construction in progress amounted to RMB185.2 million (as of December 31, 2023: the balance of construction in progress amounted to RMB187.0 million). The construction in progress mainly refers to the new construction project of Lucheng Yining Hospital and the new construction project of Longquan Kangning Hospital.

4.2.8 Right-of-use Assets

As of December 31, 2024, right-of-use assets decreased to RMB161.8 million (as of December 31, 2023: RMB189.1 million), mainly due to the depreciation of right-of-use assets of RMB36.1 million.

4.2.9 Intangible Assets

As of December 31, 2024, intangible assets decreased to RMB291.5 million (as of December 31, 2023: RMB320.3 million), mainly attributable to the provision for amortization of medical practicing qualification of RMB24.9 million during the Reporting Period.

4.2.10 Goodwill

As of December 31, 2024, goodwill decreased to RMB114.2 million (as of December 31, 2023: RMB119.9 million), mainly due to the impairment of goodwill of Jinyun Shuning Hospital and Heze Yining Hospital of RMB5.7 million.

4.2.11 Long-term Prepaid Expenses

As of December 31, 2024, long-term prepaid expenses decreased to RMB150.4 million (as of December 31, 2023: RMB175.9 million), mainly attributable to the new decoration expenses of RMB11.6 million and the amortization of decoration costs of RMB36.9 million during the Reporting Period.

4.2.12 Deferred Tax Assets

As of December 31, 2024, deferred tax assets increased to RMB56.2 million (as of December 31, 2023: RMB45.1 million), mainly due to the increase in deferred tax assets of RMB6.5 million as a result of the increase in deductible losses.

4.2.13

4.2.14 Receipts in Advance and Contract Liabilities

As of December 31, 2024, receipts in advance and contract liabilities increased to RMB21.3 million (as of December 31, 2023: RMB26.6 million).

4.2.15 Other Payables

As of December 31, 2024, other payables decreased to RMB81.3 million (as of December 31, 2023: RMB150.3 million), mainly due to the completion of settlement of outstanding construction payments for the new construction projects of three owned hospitals, namely Quzhou Yining Hospital, Longquan Kangning 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,	
	2024	2023
	(RMB'000)	*(RMB'000)*
Net cash generated from operating activities	**99,639**	265,033
Net cash used in investing activities	**-172,055**	-215,017
Net cash generated from financing activities	**-76,917**	96,107
Net decrease/increase in cash and cash equivalents	**-149,491**	146,127

4.3.1 Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB99.6 million, primarily consisting of net profit of RMB50.4 million, adjustments of RMB43.0 million for credit impairment losses and asset impairment losses, and adjustments of RMB154.8 million for depreciation and amortization of various assets. Net cash generated from operating activities decreased by 62.4% as compared with 2023, mainly due to the increase of RMB134.9 million in outstanding medical insurance receivables as of December 31, 2024 as compared with December 31, 2023. Changes in working capital resulted in cash outflow of RMB177.6 million.

4.3.2 Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB172.1 million, primarily due to the amount of RMB192.2 million for purchasing property, plant and equipment, including, among others, the investments in the infrastructure of Lucheng Yining Hospital, Quzhou Yining Hospital, Linhai Cining Hospital, Jinyun Shuning Hospital and Longquan Kangning Hospital.

4.3.3 Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB-76.9 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 authorization from the Board on significant investment in or acquisition of capital assets.

4.4 Indebtedness

4.4.1 Bank Borrowings

As of December 31, 2024, the balance of bank borrowings of the Group amounted to RMB946.2 million (as of December 31, 2023: RMB864.7 million), primarily attributable to repayment of borrowings of RMB367.0 million and an increase in borrowings of RMB448.5 million during the Reporting Period.

4.4.2 Contingent Liabilities

As of December 31, 2024, the Group did not have any contingent liability or guarantee 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 real estate property with certificate number of 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, Zhe (2021) Wenzhou Real Estate Rights No. 0081628, Wen Guo Yong (2015) No. 1-11836, and Wen Guo Yong (2015) No. 1-11833 to Minsheng Bank Wenzhou Longwan Sub-branch, and Zhe (2017) Cangnan County Real Estate Rights No. 0018361 to ICBC Bank Ouhai Sub-branch for obtaining bank loans. As of December 31, 2024, the balance of such pledged borrowings amounted to RMB430.7 million. Lucheng Yining Hospital pledged the real estate property with certificate number of Zhe (2020) Wenzhou Real Estate Rights No. 0068897 to BOCOM Wenzhou Commercial City Sub-branch. As of December 31, 2024, the balance of such pledged borrowing amounted to RMB115.6 million. Jinyun Shuning Hospital pledged the real estate property with certificate number of Zhe (2022) Jinyun Real Estate Rights No. 0002503 and the buildings and other attachments on the ground with certificate number of Jian Zi No. 331122202000043 to Zhejiang Jinyun Rural Commercial Bank Wuyun Sub-branch. As of December 31, 2024, the balance of such pledged borrowing amounted to 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, 2024, the balance of such pledged borrowing amounted to RMB58.3 million.

4.4.4 Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of December 31, 2024, the present value of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB26.7 million which is due within one year, was RMB151.3 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 fluctuation in the exchange rate of HKD against RMB. The Group is therefore exposed to foreign exchange risks.

As of December 31, 2024, the Group did not use any derivative financial instruments to hedge against its exposure to exchange rate risk. The management of the Company manages the exchange rate risk by closely monitoring the movement of 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, 2024, the Group's gearing ratio (total liabilities divided by total assets) increased to 55.3% (as of December 31, 2023: 53.8%).

4.4.8 Employees and Remuneration Policy

As of December 31, 2024, the Group had a total of 4,869 full-time employees (as of December 31, 2023: 4,765 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB644.1 million (2023: RMB607.4 million). The average remuneration of our employees amounted to RMB132.3 thousand per year (including expenses on social insurance scheme and housing provident fund scheme borne by the Group). Remuneration of an employee is determined with reference to the salary level in the same industry and the qualifications, experience and performance of such employee.

4.4.8.1Equity Incentive Scheme

In order to fully mobilize the enthusiasm of senior management and core technical personnel of the Group, the Company has formulated 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 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 hereinafter 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.

Under the Equity Incentive Scheme, participants of the first actual grant comprised a total of 165 persons, with 1,818,529 incentive shares being granted. Participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares being granted. Participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 incentive shares being 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, participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 incentive shares proposed to be granted had 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, and were unlocked at one time after 48 months from the date of grant at the grant price of RMB10.47 per share.

As all 2,460,000 incentive shares proposed to be granted under the Equity Incentive Scheme had been granted before June 18, 2021, the number of awards to be granted separately at the beginning and the end of the Reporting Period with the authorization under the Equity Incentive Scheme was nil. Therefore, there were no shares available for issuance under the Equity Incentive Scheme as at the date of this announcement.

4.4.8.2H 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 for the continuing operation and development of the Company in the future, in accordance with the requirements of the Company Law of the People's Republic of China and other relevant laws, administrative regulations, regulatory documents and the Articles of Association, the Company has formulated the H Share Award and Trust Scheme, which was considered and approved by the 2023 first extraordinary general meeting of the Company convened on September 27, 2023. Unless the context otherwise requires, capitalized terms used hereinafter shall have the same meanings as those defined in the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

Pursuant to the H Share Award and Trust Scheme, a trust deed will be entered into between the Company and the trustee. The trust will be constituted to serve the H Share Award and Trust Scheme whereby the trustee shall assist with the administration of the H Share Award and Trust 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 H Share Award and Trust Scheme shall not account for more than 5% (being 3,730,015 shares) of the total share capital of the Company following the date on which the mandate of the H Share Award and Trust Scheme is granted 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 for the benefit of the selected participants, and the trustee shall, for the purposes of vesting of the awards and upon the instruction of the Board and/or its delegates, release from the trust the award shares to the selected participants or sell the award shares so vested through on-market transactions at the prevailing market price and pay the selected participants the proceeds from such sale in accordance with rules of the H Share Award and Trust Scheme and relevant provisions under the trust deed.

Under the H Share Award and Trust Scheme, the selected participants (including connected persons) of the first actual grant comprised a total of 36 persons, with 364,100 award shares being granted. The selected participants (including connected persons) of the second phase of the actual grant comprised a total of 36 persons, with 616,000 incentive shares being granted. The selected participants (including connected persons) of the third phase of the actual grant comprised a total of 52 persons, with 335,000 award shares being granted. As of the date of this announcement, a total of 7 participants exited, corresponding to a total of 75,000 award shares. As of the date of this announcement, the selected participants of the actual grant under the H Share Award and Trust Scheme comprised 101 persons, and a total of 1,240,100 award shares had been granted. The award shares granted accounted for approximately 1.71% of the total issued share capital of the Company as of the date of this announcement. For details of the grant plan, please refer to the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

5 SIGNIFICANT EVENTS

5.1 Proposed Final Dividend

The Board of Directors has recommended the payment of a Proposed Final Dividend. Based on the total share capital before the record date determined by the implementation of the proposed distribution of profit for the year 2024 (as of the date of this announcement, the Company's total share capital is 72,670,000 Shares), all shareholders will be paid a cash dividend of RMB3 (inclusive of tax) per 10 shares of the Company, with the total proposed cash dividend amounting to RMB21,801,000 (inclusive of tax), representing 33.2% of the net profit attributable to shareholders of the parent company as set out in the consolidated statement of accounts for the Reporting Period (the total amount of interim dividend and Proposed Final Dividend for 2024 is RMB32,701,000, representing 49.8% of the net profit attributable to shareholders of the Parent Company as set out in the consolidated statement of accounts for the reporting period). The Proposed Final Dividend will be denominated and declared in RMB, payable in RMB to holders of Domestic Shares and in HKD to holders of H Shares. The exchange rate for the Proposed Final Dividend payable in HKD is the average of the benchmark exchange rates of HKD against RMB as announced by the People's Bank of China for the five business days prior to the date of declaration of the Proposed Final Dividend (i.e. the date of the annual general meeting of the Company). The proposed distribution of profit for the year 2024 is subject to the consideration and approval of the Company at the AGM of the Company.

Subject to the approval of the Proposed Final Dividend by the Shareholders at the forthcoming AGM, it is expected that the payment date of the Proposed Final Dividend will be no later than July 4, 2025. The Company will announce in due course the date of the AGM and the time of the closure of the register of members of the H Shares for the purpose of determining the list of Shareholders entitled to attend and vote at the AGM and to qualify for the Proposed Final Dividend.

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, 2024, no shareholders have waived or agreed to waive any dividends.

6 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Report Period, the Share Repurchases could have increased net asset value per Share and/or earnings per Share, which was in the interests of the Company and the Shareholders as a whole, the Company repurchased a total of 1,930,300 Shares for an aggregate consideration of HKD26,439,099 (before deduction of expenses) on the Hong Kong Stock Exchange (the "**Repurchased Shares**"). The Company cancelled such Repurchased Shares on October 30, 2024. Details of the Repurchased Shares are as follows:

Repurchase month	**Number of Repurchased Shares**	**Price paid per Share**		**Total consideration (before deduction of expenses)**
		Highest *(HKD)*	**Lowest** *(HKD)*	*(HKD)*
July 2024	751,900	14.08	11.10	9,957,932
August 2024	31,800	14.00	14.00	445,200
September 2024	1,139,600	15.49	12.50	15,939,161
October 2024	7,000	13.84	13.82	96,806
Total	**1,930,300**			**26,439,099**

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares) during the Reporting Period.

As of December 31, 2024, the Group did not hold any treasury shares.

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, 2024 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

During the Reporting Period and up to the date of this announcement, the Company has complied with all code provisions in the CG Code.

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 occurred to the Group 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 2024, 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, 2024 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 2024. 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

(i) Implementation of Interpretation No. 17 of the Accounting Standards for Business Enterprises

On October 25, 2023, the Ministry of Finance issued the Interpretation No.17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21, hereinafter referred to as "**Interpretation No. 17**").

Classification of current liabilities and non-current liabilities

Interpretation No. 17 clarifies that:

If an enterprise does not have a substantive right at the balance sheet date to defer settlement of the liability for more than one year after the balance sheet date, the liability shall be classified as a current liability.

For liabilities arising from an enterprise's loan arrangement, the enterprise's right to defer settlement of the liability for more than one year after the balance sheet date may depend on whether the enterprise has complied with the conditions stipulated in the loan arrangement (hereinafter referred to as the covenant conditions), and the enterprise, in determining whether it has a substantive right to defer settlement of the liability, shall only take into account the covenant conditions that should have been complied with on or before the balance sheet date, and shall not take into account the covenant conditions that should be complied with by the enterprise after the balance sheet date.

Settlement of a liability for the purpose of classifying a liability based on liquidity means that the enterprise discharges the liability by transferring cash, other economic resources (such as goods or services) or the enterprise's own equity instruments to the counterparty. If the terms of the liability result in the enterprise settling the liability by delivering its own equity instruments at the option of the counterparty, and if the enterprise classifies the above option as an equity instrument and recognizes it separately as an equity component of a compound financial instrument in accordance with the requirements of the "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments", the terms of the liability shall not affect the liquidity classification of the liability.

Disclosure of supplier financing arrangements

Interpretation No. 17 requires an enterprise to aggregate and disclose information related to supplier financing arrangements when making note disclosures, so as to help users of the statements assess the impact of these arrangements on the enterprise's liabilities and cash flows and the enterprise's liquidity risk exposure. The impact of supplier financing arrangements should also be considered when identifying and disclosing information on liquidity risk. This disclosure requirement only applies to supplier financing arrangements. A supplier financing arrangement is a transaction with the following characteristics: one or more financing providers providing funds for the payment of enterprise's amounts due to its suppliers, with an agreement that the enterprise shall make repayment to the finance providers in accordance with the terms and conditions of the arrangement on or after the date the enterprise receives payment from its suppliers. The supplier financing arrangement shall extend the payment period for the enterprise or advance the collection period for the suppliers of the enterprise compared to the original due date of payment.

The application of this interpretation has no material impact on the financial position and results of operations of the Company.

(ii) Implementation of the provisions of Interpretation No. 18 of the Accounting Standards for Business Enterprises on the "Accounting Treatment of Guaranteed Quality Assurance that are not Individual Performance Obligations"

On December 6, 2024, the Ministry of Finance issued the Interpretation No.18 of Accounting Standards for Business Enterprises (Cai Kuai [2024] No. 24, hereinafter referred to as "**Interpretation No. 18**"). The Interpretation shall come into force as of the date of issuance, and enterprises are allowed to implement it in advance from the year of issuance.

Interpretation No. 18 stipulates that when accounting for the estimated liabilities arising from guaranteed quality assurance that are not individual performance obligations, the relevant provisions of the Accounting Standards for Business Enterprises No. 13 – Contingencies should be followed. The "Cost of Main Business" and "Cost of Other Business" and other accounts should be debited, and the "Estimated Liabilities" should be credited according to the determined estimated liability amount, and the corresponding items should be presented in the income statement under "Operating Costs" and in the balance sheet under "Other Current Liabilities", "Non-current Liabilities Due within One Year" and "Estimated Liabilities" and other items.

When an enterprise implements the contents of the Interpretation for the first time, if the provision for guaranteed quality assurance was originally included in "Sales Expenses" and other items, it should be retrospectively adjusted in accordance with the change in accounting policy.

The application of this interpretation has no material impact on the financial position and results of operations of the Company.

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		For the year ended December 31, 2024	2023
I.	**Total revenue**	**1,654,289,413**	1,596,265,532
	Including: Revenue	**1,654,289,413**	1,596,265,532
	Interest income	**–**	–
	Premium income	**–**	–
	Fees and commissions income	**–**	–
II.	**Total cost of sales**	**1,549,653,899**	1,495,651,128
	Including: Cost of sales	**1,215,885,486**	1,185,129,955
	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	**12,336,886**	6,474,904
	Selling and distribution expenses	**9,972,500**	17,102,355
	General and administrative expenses	**227,346,205**	213,025,707
	Research and development expenses	**36,519,661**	32,466,196
	Financial expenses	**47,593,160**	41,452,011
	Including: Interest expenses	**41,601,182**	39,936,115
	Interest income	**3,122,806**	5,265,571
	Add: Other income	**13,253,819**	15,976,715
	Investment income (losses represented with "-" signs)	**754,877**	-6,067,197
	Including: Investment income from associates and joint ventures	**-1,089,495**	-6,465,279
	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)	**-269,736**	214,405
	Credit impairment losses (losses represented with "-" signs)	**-26,454,998**	-9,354,736
	Asset impairment losses (losses represented with "-" signs)	**-16,495,930**	–
	Gains from disposal of assets (losses represented with "-" signs)	**-69,932**	68,089

Items	For the year ended December 31, 2024	2023
III. Operating profit (losses represented with "–" signs)	**75,353,614**	101,451,680
Add: Non-operating income	**1,528,901**	9,545,446
Less: Non-operating expenses	**8,783,029**	11,815,509
IV. Total profit (losses represented with "–" signs)	**68,099,486**	99,181,617
Less: Income tax expenses	**17,701,775**	12,250,009
V. Net profit (net losses represented with "-" signs)	**50,397,711**	86,931,608
(I) Classified by continuity of operations		
1. Classified by continuity of operations (losses represented with "-" signs)	**50,397,711**	86,931,608
2. Net profit from discontinued operations (losses represented with "-" signs)	**–**	–
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (losses represented with "-" signs)	**65,610,189**	85,947,807
2. Non-controlling interests (losses represented with "-" signs)	**-15,212,477**	983,801
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	**–**	–

Items	For the year ended December 31, 2024	2023
Other comprehensive income attributable to non-controlling interests, net of tax	**–**	–
VII. Total comprehensive income	**50,397,711**	86,931,608
Attributable to shareholders of the parent company	**65,610,189**	85,947,807
Attributable to non-controlling interests	**-15,212,477**	983,801
VIII. Earnings per share:		
(I) Basic (RMB per share)	**0.88**	1.15
(II) Diluted (RMB per share)	**0.88**	1.15

12.2.2 Annual Consolidated Balance Sheets

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	December 31, 2024	December 31, 2023
Current assets:		
Cash at bank and on hand	**261,749,011**	418,861,721
Settlement deposits	**–**	–
Placements with banks and other financial institutions	**–**	–
Financial assets held for trading	**7,938,322**	7,350,299
Derivative financial assets	**–**	–
Notes receivable	**663,799**	–
Accounts receivable	**571,812,957**	420,441,070
Receivables financing	**–**	–
Advances to suppliers	**14,713,963**	9,830,553
Premium receivable	**–**	–
Reinsurance accounts receivable	**–**	–
Provision for reinsurance contract receivable	**–**	–
Other receivables	**81,354,942**	69,705,729
Financial assets purchased for resale	**–**	–
Inventories	**50,629,131**	60,600,180
Contract assets	**–**	–
Assets held for sale	**–**	–
Non-current assets due within one year	**–**	–
Other current assets	**5,859,354**	858,020
Total current assets	**994,721,479**	987,647,572

ASSETS	December 31, 2024	December 31, 2023
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	**99,413,985**	139,071,987
Investment in other equity instruments	**–**	–
Other non-current financial assets	**36,755,116**	65,099,055
Investment properties	**–**	–
Fixed assets	**889,544,442**	794,856,343
Construction in progress	**185,164,227**	186,980,241
Productive biological assets	**–**	–
Oil and gas assets	**–**	–
Right-of-use assets	**161,821,445**	189,054,507
Intangible assets	**291,535,792**	320,321,705
Development expenditure	**–**	–
Goodwill	**114,158,434**	119,909,089
Long-term prepaid expenses	**150,407,031**	175,910,626
Deferred tax assets	**56,197,545**	45,146,271
Other non-current assets	**11,233,664**	9,689,211
Total non-current assets	**2,010,231,682**	2,060,039,035
TOTAL ASSETS	**3,004,953,161**	3,047,686,607

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2024	December 31, 2023
Current liabilities:		
Short-term borrowings	**91,000,000**	127,001,700
Borrowings from central bank	**–**	**–**
Placements from banks and other financial institutions	**–**	–
Financial liabilities held for trading	**14,000,000**	12,400,000
Derivative financial liabilities	**–**	–
Notes payable	**–**	1,545,021
Accounts payable	**131,936,380**	110,060,008
Receipts in advance	**21,319,198**	26,563,603
Contract liabilities	**49,771**	–
Financial assets sold under repurchase agreements	**–**	–

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2024	December 31, 2023
Receipt of deposits and deposits from other banks	–	–
Funds received as agent of stock exchange	–	–
Funds received as stock underwriter	–	–
Employee benefits payable	**85,747,297**	84,324,006
Taxes payable	**39,128,084**	38,553,746
Other payables	**81,287,433**	150,270,576
Fees and commissions payable	–	–
Reinsurance accounts payable	–	–
Liabilities held for sale	–	–
Non-current liabilities due within one year	**229,270,444**	250,411,757
Other current liabilities	**615,218**	–
Total current liabilities	**694,353,825**	801,130,416
Non-current liabilities:		
Provision for insurance contracts	–	–
Long-term borrowings	**691,017,337**	557,719,215
Bonds payable	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Lease liabilities	**151,300,063**	163,239,533
Long-term payables	**76,236,879**	61,351,341
Long-term employee benefits payables	–	–
Estimated liabilities	–	–
Deferred income	**8,430,307**	8,734,099
Deferred tax liabilities	**40,313,059**	47,306,056
Other non-current liabilities	–	–
Total non-current liabilities	**967,297,645**	838,350,244
Total liabilities	**1,661,651,470**	1,639,480,660

LIABILITIES AND SHAREHOLDERS' EQUITY	**December 31, 2024**	December 31, 2023
Shareholders' equity:		
Share capital	**72,670,000**	74,600,300
Other equity instruments	**–**	–
Including: Preferred shares	**–**	–
Perpetual bonds	**–**	–
Capital surplus	**790,024,238**	852,695,602

Items	For the year ended December 31, 2024	2023
Cash received relating to other operating activities	**46,542,855**	215,257,897
Sub-total of cash inflows of operating activities	**1,434,048,253**	1,778,973,721
Cash paid for goods and services	**536,137,779**	534,160,766
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	**642,555,983**	588,242,659
Payments of taxes and surcharges	**63,003,045**	54,415,007
Cash paid relating to other operating activities	**92,712,942**	337,122,052
Sub-total of cash outflows of operating activities	**1,334,409,749**	1,513,940,484
Net cash flows from operating activities	**99,638,504**	265,033,237
II. Cash flows from investing activities		
Cash received from disposal of investments	**34,242,179**	8,279,458
Cash received from returns on investments	**–**	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**1,844,120**	2,924,937
Net cash received from disposal of subsidiaries and other business units	**2,000,000**	—
Cash received relating to other investing activities	**–**	1,248,000
Sub-total of cash inflows of investing activities	**38,086,299**	12,452,395
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**192,178,989**	179,732,394
Cash paid to acquire investments	**17,020,000**	2,447,873
Net increase in pledged loans	**–**	–
Net cash paid to acquire subsidiaries. and other business units	**–**	31,289,153
Cash paid relating to other investing activities	**942,428**	14,000,060
Sub-total of cash outflows of investing activities	**210,141,417**	227,469,480

Items	For the year ended December 31, 2024	2023
Net cash flows from investing activities	**-172,055,118**	-215,017,085
III. Cash flows from financing activities		
Cash received from capital contributions	**7,210,500**	2,999,500
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	**7,210,500**	2,999,500
Cash received from borrowings	**448,460,250**	605,774,670
Cash received relating to other financing activities	**60,000,000**	55,900,000
Sub-total of cash inflows of financing activities	**515,670,750**	664,674,170
Cash repayments of borrowings	**367,013,827**	357,677,873
Cash payments for distribution of dividends, profit or interest expenses	**74,654,124**	35,398,809
Including: Cash payments for distribution of dividends and profit by subsidiaries to non-controlling shareholders	**2,923,034**	3,001,921
Cash paid relating to other financing activities	**150,919,617**	175,490,617
Sub-total of cash outflows of financing activities	**592,587,568**	568,567,299
Net cash flows from financing activities	**-76,916,818**	96,106,871
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**-157,162**	4,325
V. Net increase in cash and cash equivalents	**-149,490,595**	146,127,348
Add: Cash and cash equivalents at the beginning of the period	**404,723,339**	258,595,991
VI. Cash and cash equivalents at the end of the period	**255,232,744**	404,723,339

12.2.4 Consolidated Statement of Changes in Shareholders' Equity

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period													
	Equity attributable to owners of the parent company													
	Other equity instruments													
	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	Non-controlling interests	Total owners' equity
I. Balance as at the end of the previous year	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
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	-	-	-	852,695,602	12,587,012	-	-	38,399,577	-	311,956,229	1,265,064,696	143,141,251	1,408,205,947
III. Increases/decreases in the current period ("-" for decreases)	-1,930,300	-	-	-	-62,671,364	9,779,837	-	-	-	-	32,329,599	-42,051,902	-22,852,354	-64,904,256
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	65,610,189	65,610,189	-15,212,477	50,397,712
(II) Owner contribution and capital Decrease	-1,930,300	-	-	-	-27,437,605	9,779,837	-	-	-	-	-	-39,147,741	-4,748,360	-43,896,101
1. Common stock contributed by owners	-	-	-	-	-31,435,114	9,779,837	-	-	-	-	-	-41,214,951	-4,748,360	-45,963,311
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	3,997,510	-	-	-	-	-	-	3,997,510	-	3,997,510
4. Others	-1,930,300	-	-	-	-	-	-	-	-	-	-	-1,930,300	-	-1,930,300

Items	Amount for the current period													
	Equity attributable to owners of the parent company													
	Other equity instruments													
	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	Non – controlling interests	Total owners' equity
(III) Distribution of profits	-	-	-	-	-	-	-	-	-	-	-33,280,590	-33,280,590	-2,891,517	-36,172,107
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-33,280,590	-33,280,590	-2,891,517	-36,172,107
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-35,233,759	-	-	-	-	-	-	-35,233,759	-	-35,233,759
IV. Balance as at the end of the period	72,670,000	-	-	-	790,024,238	22,366,849	-	-	38,399,577	-	344,285,828	1,223,012,795	120,288,896	1,343,301,691

Amount for the previous period

Items	Equity attributable to owners of the parent company													
	Other equity instruments													
	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	Non – controlling interests	Total owners' equity
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														

Amount for the previous period

Items	Equity attributable to owners of the parent company													
	Other equity instruments													
	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	Non – controlling interests	Total owners' equity
(III) Distribution of profits	–	–	–	–	–	–	–	–	–	–	-7,948,112	-7,948,112	-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)	–	–	–	–	–	–	–	–	–	–	-7,948,112	-7,948,112	-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	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(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

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, 2024 *RMB*	December 31, 2023 *RMB*
Within 1 year	**576,106,514**	425,833,221
1-2 years	**20,258,896**	6,696,710
2-3 years	**4,413,822**	4,480,033
Over 3 years	**4,766,339**	7,780,010
Subtotal	**605,545,571**	444,789,974
Less: Provision for bad debts	**33,732,614**	24,348,904
Total	**571,812,957**	420,441,070

Accounts receivable shown by classification of bad debt provisions

	December 31, 2024				
	Balance of carrying amount		**Provision for bad debts**		
	Amount	**Proportion (%)**	**Amount**	**Percent of provision (%)**	**Book value**
Accounts receivable with provision for bad debts on the individual basis	**12,375,106**	**2.0**	**12,337,791**	**99.7**	**37,315**
Including:					
Amount due from patients	**12,375,106**	**2.0**	**12,337,791**	**99.7**	**37,315**
Accounts receivable with provision for bad debts on the grouping basis	**593,170,465**	**98.0**	**21,394,823**	**3.6**	**571,775,642**
Including:					
Overdue days grouping	**593,170,465**	**98.0**	**21,394,823**	**3.6**	**571,775,642**
Total	**605,545,571**	**100.0**	**33,732,614**	**5.6**	**571,812,957**

	December 31, 2023				
	Balance of carrying amount		Provisions for bad debt		
	Amount	Proportion (%)	Amount	Percent of provision (%)	Book value
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	425,282,942	95.6	11,494,321	2.7	413,788,621
Total	444,789,973	100.0	24,348,903	5.5	420,441,070

12.3.2 Accounts payable

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

	December 31, 2024	December 31, 2023
	RMB	*RMB*
Within one year	**127,861,415**	107,790,035
One to two years	**3,124,362**	1,815,169
Two year to three years	**751,142**	85,740
Above three years	**199,461**	369,064
Total	**131,936,380**	110,060,008

12.3.3 Revenue and cost of sales

Analysis of revenue and cost of sales

	For the year ended December 31, 2024		For the year ended December 31, 2023	
	Revenue	**Cost**	Revenue	Cost
Main businesses	**1,517,773,042**	**1,125,416,715**	1,485,160,595	1,107,920,077
Other businesses	**136,516,371**	**90,468,771**	111,104,937	77,209,878
Total	**1,654,289,413**	**1,215,885,486**	1,596,265,532	1,185,129,955

Breakdown of revenue:

	For the year ended December 31,	
	2024	2023
Revenue from main businesses	**1,517,773,042**	1,485,160,595
Including: Pharmaceutical sales	**331,193,218**	322,733,829
Treatments and general healthcare services	**1,186,579,824**	1,162,426,766
Revenue from other businesses		

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):

	For the year ended December 31,	
	2024	2023
Consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted)	**65,610,189**	85,947,807
Weighted average number of outstanding ordinary Shares of the Company (diluted)	**74,278,583**	74,600,300
Diluted earning per Share	**0.88**	1.15
Including: Diluted earning per Share from continuing operations	**0.88**	1.15
Diluted earning per Share from discontinued operations	–	–

12.3.6 Income tax expenses

Table of income tax expenses

	For the year ended December 31,	
	2024	2023
Current income tax expenses	**35,746,101**	36,259,411
Deferred income tax expenses	**-18,044,326**	-24,009,402
Total	**17,701,775**	12,250,009

Reconciliation between total profit and income tax expenses

	For the year ended December 31,	
	2024	2023
Total profit	**68,099,487**	99,181,617
Income tax expenses calculated at the statutory tax rates	**13,700,455**	19,960,640
Impact of different tax rates applicable to subsidiaries	**-43,611**	-223,220
Adjustment to impact of income tax of past periods	**1,468,471**	-189,327
Impact of non-taxable income	**–**	3,879,078

	For the year ended December 31,	
	2024	2023
Impact of non-deductible costs, expenses and losses	**6,053,711**	2,133,262
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	**-12,352,475**	-18,633,562
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	**16,429,655**	13,333,667
Additional deduction of research and development expenses	**-5,605,853**	-4,674,287
Impact of business combination involving enterprise not under common control	**-10,362**	-1,945,480
Others	**-1,938,216**	-1,390,762
Income tax expenses	**17,701,775**	12,250,009

12.3.7 Dividend

On March 28, 2025, the Board of Directors proposed a final dividend of RMB21,801,000 (inclusive of tax) for the year ended December 31, 2024, calculated on the basis of 72,670,000 shares of the Company in issue as at December 31, 2024. The proposed dividend is subject to the approval of the AGM.

On August 28, 2024, the Board of Directors proposed an interim dividend of RMB10,900,500 (inclusive of tax) for the six months ended June 30, 2024, calculated on the basis of the total share capital of 72,670,000 Shares before record date determined by the implementation of the 2024 interim profit distribution plan. The proposed dividend was approved by the Shareholders at the first extraordinary general meeting for the year 2024 of the Company on October 14, 2024.

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 was approved at the annual general meeting for the year 2023 of the Company held on May 30, 2024.

13 DEFINITIONS

"AGM"	the annual general meeting of the Company for the year 2024 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 owned subsidiaries
"Chengdu Yining Hospital"	Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (previously known as Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司)), a company established in the PRC with limited liability on June 29, 2010, one of the Company's indirect non-wholly owned subsidiaries
"Changchun Kanglin Psychological Hospital"	Changchun Kanglin Psychological Hospital Co., Ltd. (長春康林心理醫院有限公司), a company established in the PRC with limited liability on February 16, 2016, one of the Company's indirect non-wholly owned subsidiaries
"Chun'an Kangning Hospital"	Chun'an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, one of the Company's indirect non-wholly owned subsidiaries
"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" or "our"	the Company and its 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. (菏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
"Longquan Kangning Hospital"	Longquan Kangning Hospital Co., Ltd. (龍泉康寧醫院有限公司), a company established in the PRC with limited liability on February 6, 2023, one of the Company's indirect 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 the PRC with limited liability on December 11, 2020, one of the Company's indirect wholly owned subsidiaries
"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

"Pingyang Kangning Hospital"	Pingyang Kangning Hospital Co., Ltd (平陽康寧醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, 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
"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the 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, 2024 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, 2024
"treasury shares"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"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 Geriatric Hospital"	Wenzhou Ouhai Yining Geriatric 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, 2025

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.