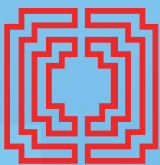




2023

ANNUAL REPORT



温州康宁医院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
Stock code: 2120

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Corporate Information

Board of Directors

Executive Directors

Mr. GUAN Weili (*Chairman*)
Ms. WANG Lianyue
Mr. WANG Jian (appointed on June 9, 2023)

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Ms. JIN Ling (appointed on June 9, 2023)
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)
Mr. ZHAO Xudong (resigned on March 10, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Audit Committee

Ms. ZHONG Wentang (*Chairman*)
Mr. LI Changhao
Ms. JIN Ling (appointed on June 9, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Nomination Committee

Mr. CHAN Sai Keung Hugo (*Chairman*)
(appointed on June 9, 2023)
Mr. GUAN Weili
Ms. JIN Ling (appointed on June 9, 2023)
Mr. LIU Ning (*Chairman*) (resigned on June 9, 2023)
Mr. ZHAO Xudong (resigned on March 10, 2023)

Remuneration Committee

Ms. JIN Ling (*Chairman*) (appointed on June 9, 2023)
Ms. ZHONG Wentang
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)
Mr. ZHAO Xudong (*Chairman*)
(resigned on March 10, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Strategy and Risk Management Committee

Mr. GUAN Weili (*Chairman*)
Ms. ZHONG Wentang
Mr. QIN Hao

Supervisory Committee

Mr. XU Ning (*Chairman*)
Mr. XU Yongjiu
Ms. Zhang Yue (appointed on June 9, 2023)
Mr. XIE Tiefan
Mr. QIAN Chengliang

Joint Company Secretaries

Mr. WANG Jian
Mr. WONG Wai Chiu

Authorized Representatives

Mr. GUAN Weili
Mr. WONG Wai Chiu

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP

Legal Advisor as to Hong Kong Laws

Clifford Chance

Registered Office and Head Office in the PRC

Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
PRC

Corporate Information

Principal Place of Business in Hong Kong

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248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

2120

Company's Website

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Investor Relations

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Financial Highlights

Principal Financial Data and Indicators

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	
Revenue	1,596,266	1,484,903	1,297,430	989,012	860,692
Profit before income tax	99,182	15,605	95,691	83,509	55,523
Income tax expenses	12,250	26,574	54,831	30,662	-17,295
Net profit	86,932	-10,969	40,860	52,847	38,228
Net profit attributable to shareholders of the Company	85,948	-24,221	44,036	64,961	57,289
Non-controlling interests	984	13,252	-3,176	-12,114	-19,061

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	
Total assets	3,047,687	2,637,787	2,377,955	2,161,262	2,117,352
Total liabilities	1,639,481	1,311,885	1,097,676	946,349	855,843
Total equity	1,408,206	1,325,903	1,280,279	1,214,913	1,261,509
Equity attributable to shareholders of the Company	1,265,065	1,201,585	1,208,264	1,122,248	1,164,484
Non-controlling interests	143,141	124,318	72,015	92,665	97,025

Chairman's Statement

Dear Shareholders,

First of all, on behalf of the Board of Directors of Wenzhou Kangning Hospital Co., Ltd., I am pleased to present the annual report of the Group for the year ended December 31, 2023.

In 2023, the world witnessed an unprecedented upheaval of a century, accelerating its evolution, while the economic landscapes at home and abroad remained ever unpredictable. As the healthcare sector undergoes profound changes, new norms and orders are gradually taking shape. The COVID-19 pandemic, spanning three years, has had profound and enduring effects on China's entire private healthcare industry. Concurrently, it catalyzed a widespread awakening of public health consciousness and unleashed a surge in demand for healthcare services accumulated during the pandemic, leading to a swift resurgence in the private healthcare sector.

From a macro perspective, since the release of the Opinions on Deepening Reform of the Medical and Health Care Systems by the State Council in 2009, the country has consistently emphasized encouraging and guiding social capital to develop the medical and healthcare industry, actively promoting the development of non-public medical and healthcare institutions, and proposing a moderate reduction in the proportion of public medical institutions, forming a pattern of mutual promotion and common development between public and non-public hospitals. In particular, after the promulgation of the 14th Five-year National Health Plan, the planning for the private medical industry focused on continuing to guide and support the development of rehabilitation, nursing, mental health, and other fields by social forces, and encouraging the group development of private medical institutions. Against this backdrop, the Group has proactively aligned with the trends, flexibly seized upon new situations and opportunities, and strategically positioned itself for the transformation towards specialized chain clusters. Guided by the values of "Respecting Life and Serving Humbly", we are resolutely committed to forging a path of development characterized by "specialization and differentiation". Our focus is on expanding and strengthening our specialty in mental health, intensifying efforts to empower the elderly medical care sector, and comprehensively driving forward the high-quality development of the medical group.

In 2023, the Group delivered a strong performance. During the Reporting Period, the total revenue of the Group reached RMB1,596.3 million, representing an increase of 7.5% as compared with that of 2022, with the operating revenue of our self-owned hospitals reaching RMB1,485.2 million, representing an increase of 8.7% as compared with that of 2022. During the Reporting Period, the net profit attributable to the shareholders of the Company amounted to RMB85.9 million, turning losses into profits compared to 2022, with a net asset return rate of 7.0%. Over the past year, the Group has adhered to the principle of "prudent expansion and financial optimization", carefully selecting M&A and investment project targets, acquiring controlling stakes in Loudi Kangning Hospital, Dongkou Lening Hospital, and Chengdu Yining Hospital, further expanding the Group's medical network coverage nationwide. The number of self-owned hospitals under our umbrella increased from 29 at the end of 2022 to 32 at the end of 2023, and the number of beds in operation rose from 9,688 at the end of 2022 to 11,268 at the end of 2023. Additionally, while continuously expanding the market, the Group also actively extended the industrial chain network, including upgrading and optimizing the internet hospital platform, strengthening the building of a pharmaceutical supply chain, researching and developing diversified additional products, etc.

Chairman's Statement

In 2023, the Group continued to strengthen the long-term effectiveness of internal control management. Building upon the improvement and perfection of the internal control system, we implemented a supervisory mechanism, conducting internal inspections on a trial basis at controlling hospitals, shareholding companies, and functional departments. Based on role management, we carried out multi-dimensional and full-process standardized management activities to ensure the legal and compliant operation and governance of the Group.

In 2023, the Group released its Five-Year Shareholder Return Plan (2023-2027), reflecting our robust confidence in the healthcare service market. Combining our business development strategies and financial growth targets, we aim to reciprocate the long-term support of our shareholders. It is planned that during the period of 2023 to 2027, profits will be distributed annually in cash, with a minimum of 30% of the profit attributable to the shareholders of the Company for that year, gradually increasing this ratio to 50%. This underscores the Group's confidence in industry development and performance expectations. Going forward, the Group will continue to refine its modern corporate system and corporate governance framework, further enhancing investor relations management. We are committed to providing greater convenience for investors, especially small and medium-sized investors, to participate in corporate governance, thereby creating steady long-term investment value.

With the wind at our backs on this journey of thousands of miles, we stride forth to meet challenges anew. In the future, the Group will embark from a new and higher starting point, guided by the core values of "Respect and Safeguard Life, Serve with Humility". We will uphold tradition while embracing innovation, steadfast in our belief as we aim to become steadfast practitioners of "Healthy China", dedicated to the great cause of Kangning's century-old legacy, striving and fighting!

GUAN Weili
Chairman

Zhejiang, the PRC
April 23, 2024

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Psychiatric Specialized Medical Service Industry and Geriatric Healthcare Industry in China

Psychiatric Specialized Medical Service Industry

The psychiatric health and mental health field, being strongly associated with people's physical and mental health, have a profound impact on the economic and social development. As a major public health and livelihood issue, it is also a key area and important topic inescapable in the full implementation of the strategy of "Healthy China".

With rapid economic and social development along with accelerating pace of life, mental health problems, including common mental disorders and psychological and behavioral problems such as depression and anxiety disorders, have been rising year by year. Psychological stress events and accidents or incidents caused by patients with mental disorders occur from time to time, while there is an urgent need to strengthen the disease intervention for specific groups such as Alzheimer's disease and children with autism, indicating that the efforts to support mental health still face serious challenges. The main reasons are, firstly, mental health resources are still lacking; secondly, the daily screening mechanism for patients with severe mental disorders has not been fully developed yet; thirdly, the community rehabilitation service system for mental disorders is still incomplete; fourthly, the establishment of the social psychological service system is still on the experimenting exploration stage; fifthly, the public awareness towards common mental disorders such as anxiety and depression and psychological and behavioral problems is low, and social prejudice still exists.

On October 25, 2016, the Central Committee of the Chinese Communist Party and the State Council issued the "Healthy China 2030 Planning Outline", which proposes to strengthen the construction and standardized management of mental health service system, increase the publicity of mental health awareness, improve mental health literacy, strengthen the intervention in common mental disorders such as depression and anxiety and psychological and behavioral problems, and improve early detection and timely intervention of psychological problems in key groups. It also proposes to enhance the report, registration and rescue management of patients with severe mental disorders, fully promote community rehabilitation services for mental disorders, and improve the intervention ability and level of treating psychological problems caused by emergencies. By 2030, the level of intervention in the prevention and treatment of common mental disorders as well as the detection of psychological and behavioral problems is expected to be significantly improved.

Management Discussion and Analysis

On December 18, 2019, 12 departments including the National Health Commission and Publicity Department issued the Healthy China Action – Child and Adolescent Mental Health Action Plan (2019-2022), which puts forward the stage goals for the indicators related to child and adolescent mental health. It promotes the basic establishment of a social environment beneficial to children and adolescents' mental health, so as to form a mental health service model connecting schools, communities, families, media, and medical and healthcare institutions, implement preventive intervention measures for children and adolescents with psychological and behavioral problems and mental disorders, strengthen psychological counseling of key groups, aiming to lay an important foundation for the improvement of children and adolescents' health and wellness and the co-building and co-sharing of Healthy China.

On September 9, 2021, the State Council promulgated the National Human Rights Action Plan (2021-2025), which proposes the deep implementation of the Healthy China initiative to ensure the provision of comprehensive lifecycle health services for the public at large, improve psychiatric health and mental health service system, build 100 mental health welfare facilities in the areas with insufficient mental health service capacity, in an effort to provide centralized care and rehabilitation services for patients with difficult mental disorders as well as enhance children's mental health education and services.

On January 10, 2022, 21 departments including the National Development and Reform Commission (NDRC) and National Health Commission issued the Public Service Planning for the 14th Five-Year Plan, which clearly points out the goals to expand the scale of doctors and registered nurses in psychiatry and geriatrics, which has been facing manpower shortage. It also proposes to improve the quality of medical worker training, strengthen the establishment of psychiatric treatment capacity and welfare facilities, and encourage the social forces to focus on enhancing the supply of inclusive and normative services in the medical field, thus encouraging social participation in the establishment of diversified supply for public services.

On April 27, 2022, the General Office of the State Council issued the 14th Five-Year Plan for National Health, which encourages social sectors to join hands in supporting regions with insufficient medical resources and areas lack of rehabilitation, nursing, mental health services and geriatric healthcare and proposes to improve the service of psychiatric health and mental health, further increase the rescue efforts for patients with severe mental disorders, promote mental health knowledge and public awareness of mental illness, develop mental health services in an orderly manner, and establish a strong social psychological service system, so as to meet the public needs for mental health and promote the coordinated economic and social development.

On December 14, 2022, the Central Committee of the Communist Party of China and the State Council issued the Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035), which clearly proposes to comprehensively advance the construction of a healthy China, deepen the reform of the medical and healthcare system, improve the public hygiene system, increase the effective supply of specialized medical care and other subdivided services, and support social sectors in providing multi-level and diversified medical services.

Management Discussion and Analysis

On February 22, 2023, the Department of Moral Education under the Ministry of Education of the People's Republic of China released its work priorities for 2023, which proposes to upgrade the dynamic monitoring function of the information platform for the management, dynamic analysis, and consultation and guidance of college students' mental health, in order to provide strong support for the precise development of students' mental health education. Moreover, it emphasizes the need to further strengthen mental health education, conduct psychological assessments of all new college students, and establish a system for the intervention of severe psychological conditions, so as to promote school-hospital collaboration.

On February 23, 2023, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Further Deepening Reform to Promote the Healthy Development of the Rural Medical and Health System, which encourages social forces to establish clinics, outpatient departments, private hospitals, etc., to provide diversified medical services for rural residents, and participate in undertaking the government's purchase of public health services.

On January 18, 2024, the Health Commission of Zhejiang Province issued the Notice Regarding Guiding Opinions on Strengthening the Development of Specialized Hospitals, which explicitly proposes to support the healthy and orderly development of privately-run specialized hospitals, in order to give full play to the advantages and characteristics of social forces in the field of specialized medical care and expand the development space for privately-run medical institutions. It also supports the construction and development of privately-run specialized hospitals in areas lack of rehabilitation, nursing, a combination of medical treatment and endowment, palliative care, etc., making them an integral part of regional medical resources. Besides, it advocates for the chain, group and branding development of privately-run specialized hospitals, aiming to establish a number of well-known industry-leading medical groups with great social influence and wide public recognition.

Management Discussion and Analysis

Geriatric Healthcare Industry

As China's economy rapidly evolves and its demographic makeup undergoes transformation, the challenge of aging is gaining increasing prominence. According to the United Nations' World Population Prospects 2022, it is projected that by 2050, China's population aged 60 and above will surpass 500 million, constituting a remarkable 38.81% of the total population, marking China's shift towards a severely aging society. The aging population in China presents both challenges and significant opportunities. With the rise in the elderly population and the escalating demand for healthcare services, the market for elderly healthcare in China is poised for continuous expansion, sustaining a high growth trajectory. A range of recent government policies aimed at encouraging private capital's involvement in elderly healthcare have not only provided robust backing for the development of the elderly healthcare industry but have also instilled considerable confidence in its future prospects.

On February 3, 2015, 10 departments including the Ministry of Civil Affairs and the National Development and Reform Commission jointly issued the Implementation Opinions on Encouraging Private Capital to Participate in the Development of Elderly Care Services to support the participation of private capital in the elderly care sector's development, promote the integration of medical and elderly care services and improve investment and financing policies.

On November 18, 2015, the General Office of the State Council forwarded the Guiding Opinions on Promoting the Integration of Medical Health and Elderly Care Services, which advocates for the establishment of integrated medical and elderly care institutions by social forces. The document also encourages social forces to establish integrated medical and elderly care institutions as well as professional medical institutions dedicated to elderly rehabilitation and care through market-oriented approaches to address the health and care needs of the elderly. Furthermore, it recommends that plans related to medical health and elderly care should incorporate opportunities for engaging social forces in the establishment of integrated medical and elderly care institutions.

On July 4, 2015, the State Council issued the Guiding Opinions of the State Council on Vigorously Advancing the "Internet Plus" Action, outlining the development objectives, development forms, main directions, development environment and guarantee conditions for the smart healthcare and elderly care sectors. The document has also proposed the establishment of a community-based elderly care information service network platform by leveraging existing Internet resources and social forces to provide in-home elderly care services such as nursing, health management, and rehabilitation care.

Management Discussion and Analysis

On March 17, 2016, the General Office of the Communist Party of China Central Committee and the General Office of the State Council issued the Opinions on Establishing and Improving the Implementation Mechanism of the Outline of the National “13th Five-Year” Plan, which fosters social forces in establishing healthcare service institutions, propels equal treatment for non-profit private hospitals and public hospitals, and actively encourages the integration of medical services with elderly care provisions.

On October 25, 2016, the Communist Party of China Central Committee and the State Council issued the “Healthy China 2030 Planning Outline”, which prioritizes enhancing health services for key demographics, promoting healthy aging, boosting the integration of medical and elderly care services, and providing the elderly with comprehensive health and elderly care services covering inpatient care during the treatment period, rehabilitation care, daily living support during stability, and hospice care. The document also encourages the establishment of integrated medical and elderly care institutions by social forces.

On January 25, 2017, the State Council issued the Notice on the National Population Development Plan (2016-2030), highlighting the imperative to speed up the enhancement of the system for elderly care services rooted in home-based support, bolstered by community resources, supplemented by institutional aid, and incorporated with medical care services and expand the availability of elderly care services and products, in response to the accelerating trend of population aging.

On January 9, 2017, the State Council issued the Notice on the “13th Five-Year Plan” for Deepening the Reform of Pharmaceutical and Healthcare Systems, which explicitly supports the establishment of integrated medical and elderly care institutions by social forces.

On March 6, 2017, the State Council issued the “13th Five-Year Plan” for National Elderly Care Services Development and Elderly Care Service System Construction, encouraging and supporting social forces to participate in the development of elderly care services and the construction of the elderly care system.

Management Discussion and Analysis

On May 23, 2017, the State Council issued the Opinions on Supporting the Provision of Multi-layered and Diverse Medical Care Services by Social Forces, explicitly proposing to promote the development of diversified integrated services, facilitate the integration of medical care and elderly care, support social medical institutions to provide contracted medical services for elderly families, establish a sound cooperation mechanism with elderly care institutions, and build integrated medical and elderly care institutions.

On June 16, 2017, the General Office of the State Council issued the Opinions on Formulating and Implementing Elderly Care Service Projects, pointing out the need to intensify efforts to promote medical and elderly care integration, encourage and guide social forces to carry out professional and diversified care services, advocate for social forces to establish integrated medical and elderly care institutions, and gradually establish and improve the business cooperation mechanism between medical and health institutions and elderly care institutions.

On June 21, 2017, the National Development and Reform Commission issued the Service Sector Innovation Development Outline (2017-2025), endorsing the establishment of elderly care service institutions by social forces. It particularly advocates for the establishment of integrated medical and elderly care institutions catering to partially or fully disabled, cognitively impaired, and elderly individuals, while promoting standardized, professional, and chain-operated services.

On August 21, 2017, the Ministry of Finance, the Ministry of Civil Affairs, and the Ministry of Human Resources and Social Security jointly issued the Implementation Opinions on Utilizing the Government and Social Capital Cooperation Model to Support the Development of the Elderly Care Service Industry. It advocates vigorously promoting government and social capital cooperation to facilitate structural reforms on the supply side of the elderly care service sector, optimizing the utilization of financial resources in the elderly care service domain, and harnessing the leading role of social forces.

On June 21, 2018, 11 departments, including the National Health Commission and the National Development and Reform Commission, jointly issued the Notice on Issuing Guiding Opinions to Promote the Reform and Development of the Nursing Service Industry. It clearly guides and encourages social forces to engage in the nursing service sector through various forms, expanding the supply of nursing services and effectively enhancing service quality and efficiency. By encouraging and promoting social forces to organize nursing institutions or transform some primary and secondary hospitals, it aims to stimulate market vitality and expand the provision of services such as elderly care, care for the disabled, rehabilitation nursing, maternity and infant care, and palliative care.

Management Discussion and Analysis

On July 15, 2019, the State Council issued the Opinions on Implementing the Healthy China Action, emphasizing the need to improve the elderly healthcare service system, enhance policies for home and community-based elderly care, promote the integration of medical and elderly care, explore long-term care insurance systems, create age-friendly environments for the elderly, and achieve healthy aging.

On November 18, 2021, the State Council issued the Opinions on Strengthening the Work on the Elderly in the New Era, proposing the establishment of an elderly care service system and a health support system that coordinate home and community institutions and combine medical care and health care. It also advocates for the vigorous development of inclusive elderly care services, and the promotion of balanced allocation of resources. By the end of 2025, each county (city, district, banner) will have at least one county-level service institution for the support of needy elderly individuals with integrated medical and elderly care functions. It supports the transformation of secondary and below medical institutions in areas rich in medical resources, to provide rehabilitation, nursing, and integrated medical and elderly care services. Encouragement is given for medical and health institutions to cooperate with elderly care institutions through agreement, further integrating and optimizing grassroots medical and health resources, and providing medical treatment, rehabilitation nursing, and daily care services.

On March 13, 2021, the Fourth Session of the Thirteenth National People's Congress voted to pass the Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035, proposing to promote the coordinated development of the elderly care industry and elderly care services, improve the basic elderly care service system, vigorously develop inclusive elderly care services, support families in undertaking elderly care functions, and build an elderly care service system that coordinates home and community institutions and combines medical care and health care. It also emphasized enhancing elderly health services and advancing the integration of medical care and health care.

On December 30, 2021, the State Council issued the "14th Five-Year Plan" for the National Elderly Care Services Development and Elderly Care Service System, explicitly stating the vigorous development of inclusive elderly care services, fully mobilizing the enthusiasm of social forces to provide convenient, affordable, and quality-guaranteed elderly care services for the people.

Management Discussion and Analysis

On February 7, 2022, 15 departments, including the National Health Commission, Ministry of Education, and Ministry of Science and Technology, jointly issued the “14th Five-Year Plan” for Healthy Aging, calling for vigorous promotion of the development of new industries, new formats, and new business models in the field of elderly health. It also proposed that local governments incorporate elderly health planning into the overall economic and social development plan, making the promotion of the elderly health industry and its development an important way to deepen supply-side structural reforms and improve people’s well-being.

On May 21, 2023, the General Office of the Central Committee of the Chinese Communist Party and the General Office of the State Council issued the Opinions on Promoting the Construction of the Basic Elderly Care Service System, emphasizing the fundamental role of basic elderly care services in ensuring that the elderly are properly cared for. Advancing the construction of the basic elderly care service system is a crucial task in implementing proactive strategies to address population aging and achieving equal access to basic public services. It also calls for the implementation of preferential policies to support the development of elderly care services and encourages social participation in providing basic elderly care services.

On January 15, 2024, the General Office of the State Council issued the Opinions on Developing the Silver Economy to Enhance the Well-being of the Elderly, presenting 26 measures across 4 aspects. This marks the first specialized document issued by the state to support the development of the silver economy. The document highlights that the silver economy encompasses a wide range of economic activities aimed at providing products or services to the elderly and preparing for the aging stage, with broad coverage, long industrial chains, diverse business models, and enormous potential.

Management Discussion and Analysis

Business Review

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

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

Psychiatric Healthcare Business

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

Management Discussion and Analysis

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

Elderly Healthcare Business

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

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

Business Highlights

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

Management Discussion and Analysis

Business Outlook

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

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

Prospect

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

Management Discussion and Analysis

Financial Review

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

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,	2022
	2023	2022
	(RMB'000)	(RMB'000)
Revenue from operating owned hospitals	1,485,161	1,366,817
Revenue from other healthcare related business	105,756	110,018
Other revenue not related to healthcare business	5,349	8,068
Total revenue	1,596,266	1,484,903

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.

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

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

Management Discussion and Analysis

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

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

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

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

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

Management Discussion and Analysis

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

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

Revenue from other healthcare related business

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

Other revenue not related to healthcare business

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

Gross Profit and Gross Profit Margin

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

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

Management Discussion and Analysis

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

Tax and Surcharge

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

Selling Expenses

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

Administrative Expenses

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

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

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

Management Discussion and Analysis

Research and Development Expenses

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

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

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

Finance Expenses – Net

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

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

Management Discussion and Analysis

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

Investment Income

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

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

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

Credit Impairment Losses

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

Management Discussion and Analysis

Non-Operating Income and Non-Operating Expenses

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

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

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

Income Tax Expense

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

Management Discussion and Analysis

Financial Position

Inventory

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

Accounts Receivables

As of December 31, 2023, the balance of accounts receivables amounted to RMB420.4 million (as of December 31, 2022: RMB382.8 million), representing an increase of 9.8% as compared with that of December 31, 2022, mainly due to the increase in operational income of the Group's owned hospital.

During the Reporting Period, accounts receivables turnover days of the Group's owned hospitals businesses were 46 days (2022: 42 days).

Other Receivables and Prepayments

As of December 31, 2023, other receivables and prepayments increased to RMB79.5 million (as of December 31, 2022: RMB69.4 million).

Other Non-current Financial Assets

As of December 31, 2023, the balance of other non-current financial assets was RMB65.1 million (as of December 31, 2022: RMB63.1 million).

Construction in progress

As of December 31, 2023, the balance of construction in progress was RMB187.0 million (as of December 31, 2022: the balance of construction in progress was RMB152.5 million), and the new constructions in progress were mainly the new construction project of Lucheng Yining Hospital and the new construction project of Linhai Cining Hospital.

Right-of-use Assets

As of December 31, 2023, right-of-use assets decreased to RMB189.1 million (as of December 31, 2022: RMB190.4 million), mainly attributable to depreciation of right-of-use assets.

Accounts Payables

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

Management Discussion and Analysis

Receipts in Advance and Contract Liabilities

As of December 31, 2023, receipts in advance and contract liabilities increased to RMB26.6 million (as of December 31, 2022: RMB29.9 million).

Other Payables

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

Liquidity and Capital Resources

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

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

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB265.0 million, primarily consisting of net profit of RMB85.9 million, adjustments of RMB9.4 million for credit impairment losses and asset impairment losses and adjustments of RMB159.4 million for depreciation and amortisation of various assets. Changes in working capital resulted in cash inflow of RMB13.9 million.

Net Cash Used in Investing Activities

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

Management Discussion and Analysis

Net Cash Generated from Financing Activities

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

Significant Investment, Acquisition and Disposal

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

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

Indebtedness

Bank Borrowings

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

Contingent Liability

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

Asset Pledge

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

Management Discussion and Analysis

Lease Liabilities

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

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.

Exposure to Fluctuation in Exchange Rates

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

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

Gearing Ratio

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

Employees and Remuneration Policy

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

Management Discussion and Analysis

Equity Incentive Scheme

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

In respect of the Equity Incentive Scheme, the participants of the first actual grant comprised a total of 165 persons, with 1,818,529 incentive shares granted. The participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares granted. The participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 incentive shares granted. As of the date of this annual report, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. The participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 incentive shares proposed to be granted have been granted on April 16, 2021. The incentive shares granted accounted for 3.2976% of the total issued share capital of the Company as of the date of this annual report. The incentive shares were unlocked at one time after 48 months from the date of the grant, and the grant price was RMB10.47 per Share.

Management Discussion and Analysis

The details of the Equity Incentive Scheme are as follows:

(1) *Purposes*

The Equity Incentive Scheme has been formulated to further refine the corporate governance structure of the Company, establish and optimise the Company's long-term incentive and restraint mechanism, attract and motivate professional management talents and core personnel, fully mobilize their enthusiasm and creativity, effectively enhance core team cohesion and core corporate competitiveness, better mobilize the enthusiasm of employees of the Group, and effectively integrate Shareholders' interests, the Company's interests and interests of the core team members so that the parties will make joint efforts for the Company's long-term development and ensure the realization of the Company's development strategy and operation objectives. The Equity Incentive Scheme has been developed on the precondition of fully safeguarding Shareholders' interests pursuant to the principle of benefits being in proportion to contributions and in accordance with provisions of the relevant laws, administrative regulations and regulatory documents including the PRC Company Law and the Articles of Association.

(2) *Scope of the Participants*

(a) *Scope of the Participants*

All Participants shall be employed in the Group and have signed labor contracts or employment contracts with the Group during the appraisal period of the Equity Incentive Scheme.

Participants shall include the Directors, Supervisors, senior management of the Group (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized, and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Equity Incentive Scheme at a general meeting.

(b) *List of the Participants under the Equity Incentive Scheme*

The specific list and subscribed capital contribution of the Participants shall be selected and assessed by the Board.

Management Discussion and Analysis

(3) *Description of equity to be granted under the Equity Incentive Scheme*

(a) Form of equity to be granted under the Equity Incentive Scheme

The Company will set up the employees' shareholding platform through the formation of a limited partnership, and the employees' shareholding platform will hold the Incentive Shares for and on behalf of the Participants. When Incentive Shares are granted to the Participants, the Participants shall subscribe for corresponding interests in the limited partnership and contribute capital at the grant price, and indirectly become a Shareholder of the Company. The Participants are prohibited from transferring, pledging or otherwise disposing their respective Incentive Shares during the lock-up period. Incentive Shares to be granted to the Participants are entitled to the corresponding rights upon registration, including but not limited to dividend distribution and voting rights. The aforementioned rights are not subject to lock-up period. Upon the expiry of the lock-up period, unless otherwise agreed, Participants who have fulfilled the unlocking conditions can dispose the unlocked Incentive Shares by transferring their respective interests in the Partnership.

(b) Source and category of the Shares subject to the equity to be granted under the Equity Incentive Scheme

The Incentive Shares under the Equity Incentive Scheme comprise the non-tradable and non-listed Domestic Shares to be issued to the employees' shareholding platform by the Company.

(c) Amount of equity to be granted under the Equity Incentive Scheme and its percentage of the total share capital of the Company

Participants are proposed to be granted up to 2,460,000 Shares under the Equity Incentive Scheme, representing 3.30% of the Company's total share capital as at the date of this report, and accounting for 4.45% of the total number of non-tradable and non-listed Domestic Shares.

Management Discussion and Analysis

(4) *Validity period, locked-up period and unlocking period arrangement of the Equity Incentive Scheme*

(a) Validity period of the Equity Incentive Scheme

The validity period of the Equity Incentive Scheme shall be 10 years from the date of approval at the annual general meeting for the year 2017 (i.e. April 26, 2018), unless it is terminated in accordance with the relevant provisions of the Equity Incentive Scheme. As of the date of this report, the remaining validity period of the Equity Incentive Scheme is approximately 4 years.

(b) Locked-up period of the Equity Incentive Scheme

The locked-up period of the Incentive Shares granted to the Participants is 48 months, calculated from the date the Participants are granted the Incentive Shares.

(c) Unlocking period arrangement of the Equity Incentive Scheme

Incentive Shares under the first grant shall be unlocked in one go after 48 months (June 28, 2022) from the date of the first grant (June 29, 2018); Incentive Shares under the reserved grant shall be unlocked concurrently with those under the first grant unless the circumstances are exceptional where the amendment plan shall be made under the Equity Incentive Scheme.

(5) *Granting procedures of the Equity Incentive Scheme*

- (i) The general partner of the Partnership and the Participants shall sign the Partnership agreement to stipulate the rights and obligations of both parties.
- (ii) The Company will issue the “Demand Note” to the Participants on the Grant Date.
- (iii) The Participants will sign the “Demand Note” and return one of the originals to the Company.
- (iv) Within the period specified by the Company, the Participants will pay the funds used to subscribe for Incentive Shares (calculated based on the grant price) to the accounts designated by the Company according to the requirements of the Company.
- (v) The Company will prepare a management register of the Equity Incentive Scheme according to the entering into of agreements and subscription by the Participants, setting out names of Participants, numbers of Shares granted, grant date, amount of payment and the sequential number of Partnership agreements, etc.

Management Discussion and Analysis

(6) Grant Price of the Equity Incentive Shares and basis for determination

(a) The Grant Price of the Equity Incentive Shares: the Grant Price of the Incentive Shares under the first grant shall be RMB10.47 per Share; the Grant Price of the Incentive Shares under the reserved grant shall be RMB10.47 per Share.

(b) Basis for determination on the Grant Price of the Equity Incentive Shares

Based on the fundamental purpose of promoting the development of the Company and safeguarding the interests of Shareholders, the Grant Price of RMB10.47 of Equity Incentive Shares under the Incentive Scheme has been determined in accordance with the principle of “incentives with emphasis and effectiveness (重點激勵、有效激勵)” and with comprehensive reference to the following factors:

- (i) as at the date of the approval of the Equity Incentive Shares by the Board (i.e. May 29, 2018), the trading price of the Company’s H Shares was approximately HK\$40.00 per Share (equivalent to approximately RMB32.50 per Share); and
- (ii) the number of Equity Incentive Shares granted this time and the incentive effects.

(c) Grant Price of the Equity Incentive Shares at a discount or premium

The Grant Price of the Incentive Shares under the Equity Incentive Scheme represents approximately 32.22% of the aforementioned trading price of the Company’s H Shares, that is RMB10.47 per Share.

Management Discussion and Analysis

For the year ended December 31, 2023, the changes in the Incentive Shares granted under the Equity Incentive Scheme are as follows:

Name/Category of Grantee	Date of Grant	Closing Price before the Date of Grant (HKD)	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance of
					Incentive Shares Granted but not Vested as at January 1, 2023	Incentive Shares Granted and Vested as at January 1, 2023		(Unlocked) during the Reporting Period			Incentive Shares Granted but not Vested as at December 31, 2023
<i>Director</i>											
Ms. WANG Lianyue	June 18, 2021	35.95	June 28, 2022	10.47	-	248,328	-	-	-	-	-
<i>Supervisor</i>											
Mr. XIE Tiefan	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-
<i>Others</i>											
Mr. XU Yi (spouse of Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	28,653	-	-	-	-	-
Ms. WANG Hongyue (younger sister of Ms. WANG Lianyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	95,511	-	-	-	-	-
Ms. WANG Biyu (niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Ms. XU Qunyan (younger sister of Mr. XU Yi)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Mr. GUAN Weilu (younger brother of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	-	19,102	-	-	-	-	-
Mr. SUN Fangjun	June 18, 2021	35.95	June 28, 2022	10.47	-	14,327	-	-	-	-	-
Mr. SUN Hongbo (nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	30,563	-	-	-	-	-
Ms. ZHANG Linghui (sister-in-law of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-

Management Discussion and Analysis

Name/Category of Grantee	Date of Grant	Closing Price before the Date of Grant (HKD)	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance of
					Incentive Shares Granted but not Vested as at January 1, 2023	Incentive Shares Granted and Vested as at January 1, 2023		(Unlocked) during the Reporting Period			Incentive Shares Granted but not Vested as at December 31, 2023
Senior management	August 20, 2018	38.80	June 28, 2022	10.47	-	133,715	-	-	-	-	-
Core technical personnel	August 20, 2018	38.80	June 28, 2022	10.47	-	1,684,814	-	-	-	-	-
	August 26, 2019	36.00	June 28, 2022	10.47	-	142,311	-	-	-	-	-
Other employees (total)	August 26, 2019	36.00	June 28, 2022	10.47	-	38,204	-	-	-	-	-
Total					-	2,454,632	-	-	-	-	-

H Share Award and Trust Scheme

To attract, motivate and retain extensively skilled and experienced “core backbone members of the technicians and management” to continuously strive for the continuing operation and development of the Company in the future, in accordance with the requirements of the PRC Company Law 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 first extraordinary shareholders’ general meeting of the Company convened on September 27, 2023. Unless the context otherwise requires, terms used hereinafter shall have the same meanings as those defined in the circular of the Company dated September 8, 2023 and the announcement of the Company dated September 27, 2023.

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

Management Discussion and Analysis

During the Reporting Period, no Award Shares were granted pursuant to the H Share Award and Trust Scheme, therefore, no Award Shares were cancelled or lapsed during the Reporting Period.

A summary of the H Share Award and Trust Scheme is as follows:

Purposes

- a) 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;
- b) To deepen the reform on the Company’s remuneration system, and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and
- c) To recognize the contributions of the management and long-term employees of the Company including the Directors; to encourage, motivate and retain the management and long-term employees of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Company; and to provide additional incentive for the management and long-term employees of the Company by aligning the interests of employees, management, Shareholders to that of the Company as a whole.

Participants

- a) Eligible medical staff working in the Company and/or its subsidiaries;
- b) Directors (other than independent non-executive Directors);
- c) Supervisors;
- d) Senior management; and
- e) Key management members of the Company and/or its subsidiaries.

Management Discussion and Analysis

Scheme limit

The limit under the H Share Award and Trust Scheme is 3,730,015 H Shares, representing 5% of the total issued shares of the Company as at the Latest Practicable Date.

Maximum entitlement of each Participant

The total number of Award Shares granted to all eligible persons under the H Share Award and Trust Scheme and any other share plans of the Company (including the Award Shares cancelled under the terms of the H Share Award and Trust Scheme, but excluding any Award Shares forfeited) shall not exceed 1% of the share capital in issue of the Company from time to time.

Vesting period

The share award of H Shares granted under the H Share Award and Trust Scheme will be vested in the vesting period as specified in the Award Letter of each Participant approved by the Board and/or the Delegatee.

Purchase price

The purchase price of all the Award Shares under the H Share Award and Trust Scheme will be determined by the Board and/or its authorized persons in their sole discretion at the time of granting the relevant Award (and shall be set out in the Award Letter). The purchase price was determined after taking into account, among other things, the closing price of the H Shares, the purpose of the H Share Award and Trust Scheme and the characteristics and circumstances of each eligible person. Save as aforesaid, no other payable on application or acceptance of any Award under the H Share Award and Trust Scheme and there is no period within which payments or calls must or may be made or loans for such purposes must be repaid.

Remaining validity period of the Scheme

The H Share Award and Trust Scheme shall be effective from the Adoption Date (i.e. September 27, 2023) with the period of validity for ten years. As of the Latest Practicable Date, the remaining validity period of the H Share Award and Trust Scheme is 9 years and 5 months.

Employee Training Program

The Company put great emphasis on the training and development of medical personnel, proactively establish “in-hospital teaching” base and promote the coordinated development of medical practice, education and research. The Company formulates annual plans for relevant employee training, ward clinical diagnosis and treatment teaching and annual plan of various management trainings according to the job requirements of each professional position, and devote to provide employees with pre-job training (such as stress management and workplace relations and on-the-job professional knowledge training) to continuously improve their professional quality.

Report of the Board

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2023.

Principal Activities

The principal activities of the Group are operating a network of healthcare facilities that primarily focus on providing psychiatric specialty care and elderly rehabilitation service across various regions in China. Details of the principal activities of the principal subsidiaries of the Company are set out in “Notes to the Financial Statements – Interests in other entities – Interest in subsidiaries – Structure of the Group” of this annual report.

Descriptions of the relationship between the Group and its employees, clients and suppliers are set out in “Management Discussion and Analysis – Employees and Remuneration Policy” and “Report of the Board – Major Customers and Suppliers” of this annual report, respectively.

Business Review

The business review on the Group is set out in the “Management Discussion and Analysis” of this annual report. The future development of the Group and the major risks and uncertainties that the Group may be exposed to are set out in “Management Discussion and Analysis – Business Outlook” of this annual report.

Financial Highlights and Results

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2023 are set out in the “Financial Highlights” of this annual report. The Group’s financial results for the year ended December 31, 2023 are set out in the consolidated income statement of this annual report.

Investor Relations

Please refer to the section headed “Corporate Governance Report – Communication with Shareholders and Investor Relations” of this annual report.

Environmental Policies

The Group is conscious of its environmental protection obligations and actively seeks to implement eco-friendly technologies and solutions where feasible. With respect to medical waste management, the Group has engaged qualified third parties to arrange proper disposal for all of its healthcare facilities in accordance with applicable laws and regulations. Those applicable laws and regulations have no material impact on the business operation of the Group. Details of the environmental policies of the Company is set out in the Environmental, Social and Governance Report separately published by the Company in due course, which can be accessed and downloaded at the website of the Company and HKEXnews website of the Hong Kong Stock Exchange.

Report of the Board

Compliance with Relevant Laws and Regulations

The Company continues to review its current systems and procedures, emphasizes and strives to comply with the PRC Company Law, the Hong Kong Listing Rules, the SFO, applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a significant impact on the Company. The Company endeavors to safeguard its Shareholders' interests, enhance corporate governance and strengthen the functions of the Board of Directors.

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Mental Health Law of the PRC (《中華人民共和國精神衛生法》), the Law of the People's Republic of China on the Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》), the Management Regulations of Medical Institutions (《醫療機構管理條例》) and the Rules for the Implementation of Management Regulations of Medical Institutions (《醫療機構管理條例實施細則》).

The operation of the Group has always complied with the abovementioned national and local laws and regulations. It upholds honesty and integrity and performs its social responsibility.

The Company and its employees have been exercising their best endeavours to strictly follow the applicable rules, laws and industry standards. The Directors are not aware of any breach of laws or regulations which have a significant impact on the Group in 2023 and as of the Latest Practicable Date.

Permitted Indemnity Provision

For the year ended December 31, 2023, the Group has no permitted indemnity provision.

Use of Proceeds from Initial Public Offering

The H Shares were listed on the Main Board of the Hong Kong Stock Exchange on November 20, 2015. The Company's net proceeds from the initial public offering amounted to approximately HK\$693.2 million (equivalent to RMB580.7 million) after deducting underwriting commissions and all related expenses. On March 30, 2017 and March 23, 2018, the Board considered and approved the resolutions regarding the change in the use of the net proceeds, respectively. The Company used all the proceeds according to the use of the proceeds disclosed in the Prospectus dated November 10, 2015 and considered and approved by the Board.

Report of the Board

Dividend

The Board of Directors has recommended the payment of a Proposed Final Dividend. The Proposed Final Dividend is intended to be in the form of a cash dividend to be paid to the shareholders in the form of a cash dividend of RMB3 (inclusive of tax) per 10 shares of the Company based on the number of 74,600,300 shares of the Company in issue as at December 31, 2023, with the total proposed cash dividend amounting to RMB22,380,090 (inclusive of tax), representing 26.0% 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 2023 is RMB29,840,120, representing 34.7% 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 AGM of the Company). The distribution plan of final profit for the year 2023 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, the expected payment date of the Proposed Final Dividend shall be no later than June 28, 2024. The Company will, in due course, announce the date of the AGM of the Company, 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 of the Company and to qualify for the Proposed Final Dividend.

For the year ended December 31, 2023, none of the Shareholders has waived or agreed to waive any dividends.

Tax Reduction or Exemption

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 HKSCC 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 agents 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.

Report of the Board

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In this case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with the PRC under the tax agreement, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Share Capital

Details of the movements in the share capital of the Company during the Reporting Period are set out in “Note V to the Financial Statements – note (XXXIII) to the consolidated financial statements” of this annual report.

Reserves

Details of movements in the reserves of the Group during the Reporting Period are set out in the “Consolidated Statement of Changes in Owners’ Equity and Note V to the Financial Statements – notes (XXXIV), (XXXVI) and (XXXVII) to the consolidated financial statements” of this annual report.

Distributable Reserves

As of December 31, 2023, the distributable reserves of the Group were RMB312.0 million.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in “Note V to the Financial Statements – note (XI) to the consolidated financial statements” of this annual report.

Report of the Board

Major Customers and Suppliers

For the year ended December 31, 2023, the Group's largest customer and five largest customers aggregately contributed to 0.8% and 2.7%, respectively, of the Group's total revenue. For the year ended December 31, 2023, the Group's five largest customers contributed to less than 30% of the Group's total revenue for the year. The major customers of the Group are the patients of our owned hospitals. Due to the uniqueness of the business and high liquidity of patients of medical business, our Company has no reliance on large customers.

For the year ended December 31, 2023, the total purchase of the Group's largest supplier and five largest suppliers aggregately accounted for 8.8% and 26.8%, respectively, of the Group's total purchases of pharmaceutical products, medical consumables and construction and renovation services.

None of the Directors, the Supervisors or any of their respective close associates (as defined under the Hong Kong Listing Rules), or any Shareholders, which to the knowledge of the Directors, owning more than 5% of the Company's issued share capital has any interests in the Group's five largest customers or suppliers for the year ended December 31, 2023.

Securities Issuance

During the Reporting Period, the Group did not issue any securities.

Debentures in Issue

For the year ended December 31, 2023, the Group did not issue any debentures.

Equity-linked Agreements

For the year ended December 31, 2023, no equity-linked agreements were entered into by the Group, or existed.

Donations

For the year ended December 31, 2023, the charitable contributions and other donations made by the Group amounted to approximately RMB4.5 million in aggregate.

Subsidiaries

Details of the Company's principal subsidiaries as of December 31, 2023 are set out in "Notes to the Financial Statements – Interests in other entities – Interest in subsidiaries – Structure of the Group" of this annual report.

Report of the Board

Directors

The Directors during the Reporting Period and as of the date of this annual report are:

Executive Directors

Mr. GUAN Weili (*Chairman*)

Ms. WANG Lianyue

Mr. WANG Jian (appointed on June 9, 2023)

Non-executive Directors

Mr. QIN Hao

Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang

Ms. JIN Ling (appointed on June 9, 2023)

Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)

Mr. ZHAO Xudong (resigned on March 10, 2023)

Mr. LIU Ning (resigned on June 9, 2023)

Supervisors

The Supervisors during the Reporting Period and as of the date of this annual report are:

Mr. XU Ning (*Chairman*)

Mr. XU Yongjiu

Mr. XIE Tiefan

Mr. QIAN Chengliang

Ms. Zhang Yue (appointed on June 9, 2023)

Report of the Board

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2023, please refer to the sections of “Financial Highlights” and “Management Discussion and Analysis” in this annual report.

Directors’ and Supervisors’ Interests in Transaction, Arrangement or Contracts of Significance

Save as disclosed in “Report of the Board – Connected Transaction” and “Notes to the Financial Statements – Related parties and related party transactions” of this annual report, no transaction, arrangement or contracts of significance to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries, was a party and in which a Director or a Supervisor, or any entity connected with any Director or Supervisor, had a material interest, whether directly or indirectly, subsisted as of December 31, 2023 or at any time during the Reporting Period.

Controlling Shareholders’ Interests in Contracts of Significance

Save as disclosed in “Report of the Board – Connected Transaction” and “Notes to the Financial Statements – Related parties and related party transactions” of this annual report, neither of the Controlling Shareholders or any of their subsidiaries has or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Management Contracts

During the Reporting Period, the Company did not enter into any management contracts with respect to the entire business or the core business of the Company.

Report of the Board

Non-competition Agreement

Pursuant to the Non-competition Agreement, each of the Controlling Shareholders has agreed not to, and to procure that his/her respective close associate(s) (as appropriate) (other than the Group) not to, either directly or indirectly, compete with the Group's principal business (which is primarily to provide psychiatric care services and elderly healthcare services through hospitals) and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights. During the period from the date of the Non-competition Agreement to December 31, 2023, the Company did not receive any Offer Notice (as defined under the section headed "Relationship with our Controlling Shareholders" in the Prospectus) from the Controlling Shareholders.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-competition Agreement for the year ended December 31, 2023 for disclosure in this annual report. The independent non-executive Directors have also reviewed the Controlling Shareholders' compliance with the Non-competition Agreement for the year ended December 31, 2023.

Directors' and Chief Executives' Emoluments and Five Highest Paid Individuals

Particulars of the Directors' and chief executives' emoluments and five highest paid individuals for the year ended December 31, 2023 are set out in "Notes to the Financial Statements – Related parties and related party transactions" of this annual report. The remuneration policy of the Company is set out in the section headed "Corporate Governance Report" of this annual report.

No Director has waived or has agreed to waive any emoluments during the Reporting Period.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors or their respective associates (as defined under the Hong Kong Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

Report of the Board

Directors', Supervisors' and Chief Executives' Interests in Securities

As at December 31, 2023, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Class of Shares	Nature of Interest	Number of Shares	Total Number of Shares	Approximate	Approximate
					Percentage in Shares of the Same Class ⁽¹⁾	Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Mr. GUAN Weili ⁽²⁾	Domestic Shares	Beneficial owner	18,350,250 (L)	22,044,750(L)	39.89%	29.55%
		Interest of spouse	3,694,500 (L)			
Ms. WANG Lianyue ⁽²⁾	Domestic Shares	Beneficial owner	3,694,500 (L)	22,044,750(L)	39.89%	29.55%
		Interest of spouse	18,350,250 (L)			
Mr. WANG Jian	H Shares	Beneficial owner	40,000 (L)	40,000(L)	0.20%	0.05%
	Domestic Shares	Beneficial owner	100,000 (L)	100,000(L)	0.18%	0.13%
Mr. XU Yongjiu ⁽³⁾	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	4,540,000(L)	8.22%	6.09%

Notes:

(L): Long position

- (1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 19,340,300 H Shares (an aggregate of 74,600,300 Shares) issued by the Company as at December 31, 2023.
- (2) Mr. GUAN Weili is the spouse of Ms. WANG Lianyue and therefore, Mr. GUAN Weili is deemed to be interested in the Domestic Shares held by Ms. WANG Lianyue, and Ms. WANG Lianyue is deemed to be interested in the Domestic Shares held by Mr. GUAN Weili by virtue of Part XV of the SFO.
- (3) Mr. XU Yongjiu holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合伙)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合伙)) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, Mr. XU Yongjiu is deemed to be interested in all the Domestic Shares held by the above partnerships in the Company.

Report of the Board

Save as disclosed above, as at December 31, 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) or recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at December 31, 2023, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities (other than the Directors, the Supervisors or chief executives of the Company) had an interest or short position which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Central Enterprises Rural Industry Investment Fund Co., Ltd. (中央企業鄉村產業投資基金股份有限公司)	Domestic Shares	Beneficial owner	7,466,666 (L)	13.51%	10.00%
Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	8.22%	6.09%
FAN Yin ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	8.22%	6.09%
SUN Jian ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	8.22%	6.09%
Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	8.22%	6.09%
Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,540,000 (L)	8.22%	6.09%
XU Yi ⁽⁶⁾	Domestic Shares	Interest of spouse	5,785,350 (L)	10.47%	7.76%
Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,519,003 (L)	8.18%	6.06%

Report of the Board

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) ⁽³⁾	Domestic Shares	Interest in a controlled corporation	4,519,003 (L)	8.18%	6.06%
LIN Lijun	Domestic Shares	Interest in a controlled corporation	6,506,309 (L)	11.77%	8.72%
Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shengge Investment Management Co., Ltd) ⁽⁴⁾	Domestic Shares	Interest in a controlled corporation	6,506,309 (L)	11.77%	8.72%
Wind Information Co., Ltd. (萬得信息技術股份有限公司)	Domestic Shares	Interest in a controlled corporation	3,333,000 (L)	6.03%	4.47%
Shanghai Hehuayuan Enterprise Management Center (Limited Partnership) (上海荷花緣企業管理中心(有限合夥))	Domestic Shares	Interest in a controlled corporation	3,333,000 (L)	6.03%	4.47%
Wind Impact Equity Investment (Jiaxing) Partnership (Limited Partnership) (萬得影響力股權投資(嘉興)合夥企業(有限合夥)) (“Wind Investment”)	Domestic Shares	Beneficial owner	3,333,000 (L)	6.03%	4.47%
CITIC Securities Investment Limited (中信証券投資有限公司)	Domestic Shares	Beneficial owner	2,780,000 (L)	5.03%	3.73%
CITIC Securities Company Limited ⁽⁵⁾	Domestic Shares	Interest in a controlled corporation	2,780,000 (L)	5.03%	3.73%
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000 (L)	7.52%	1.95%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900 (L)	11.12%	2.88%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900 (L)	6.62%	1.72%
OrbiMed Partners II, L.P.	H Shares	Beneficial owner	1,052,000 (L)	5.44%	1.41%
UBS Group AG	H Shares	Interest in a controlled corporation	1,029,400 (L)	5.32%	1.38%
ZOU Haili (鄒海麗)	H Shares	Beneficial owner	1,680,000 (L)	8.69%	2.25%
WANG Hongyue ⁽⁶⁾	Domestic Shares	Beneficial owner	3,984,350 (L)	10.46%	7.76%
		Interest in a controlled corporation	1,801,000 (L)		
	H Shares	Beneficial owner	309,000 (L)	1.60%	0.41%

Report of the Board

Notes:

(L): Long position

- (1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 19,340,300 H Shares (an aggregate of 74,600,300 Shares) issued by the Company as of December 31, 2023.
- (2) FAN Yin holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). SUN Jian holds 33.94% equity interest in Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, FAN Yin, Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)), SUN Jian and Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) were deemed to be interested in all the Domestic Shares held by Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)) in the Company.
- (3) Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) holds 99.99% equity interest in Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) is deemed to be interested in all the Domestic Shares held by Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (4) Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shengge Investment Management Co., Ltd (上海盛歌投資管理有限公司)) is a general partner of Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Loyal Valley Investment Management Co., Limited is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) (which directly holds 1,987,356 Domestic Shares of the Company) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (5) CITIC Securities Investment Limited (中信證券投資有限公司) is wholly held by CITIC Securities Company Limited. Therefore, by virtue of Part XV of the SFO, CITIC Securities Company Limited is deemed to be interested in all the Domestic Shares held by CITIC Securities Investment Limited (中信證券投資有限公司) in the Company.
- (6) Ms. WANG Hongyue is the general partner of Ningbo Xinshi Kangning Investment Management L.P. and Ningbo Enci Kangning Investment Management Partnership (Limited Partnership) and holds approximately 50.62% and 37.10%, respectively, in such management partnerships, both of which are limited partnerships. Therefore, by virtue of Part XV of the SFO, Ms. WANG Hongyue is deemed to be interested in all the Domestic Shares held by the above management partnerships in the Company. Mr. XU Yi is the spouse of Ms. WANG Hongyue. Mr. XU Yi is deemed to be interested in the Domestic Shares held by Ms. WANG Hongyue by virtue of Part XV of the SFO.

Save as disclosed above, as at December 31, 2023, to the knowledge of the Directors, no other person (other than a Director, a Supervisor or chief executive of the Company) had, or was deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Report of the Board

Directors' and Supervisors' Rights to Acquire Shares or Debt Securities

Save as the Equity Incentive Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, the Supervisors, or chief executives of the Company (including their spouses or children under 18 years of age) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

Connected Transaction

The Board confirms that, none of the related party transactions set out in “Notes to the Financial Statements – Related parties and related party transactions” of this annual report constituted connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. All of the connected transactions or continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules are in compliance with the relevant disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Purchase, Sale or Redemption of Listed Securities

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the PRC Company Law which oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Bank Borrowings

Details of the bank borrowings of the Group as of December 31, 2023 are set out in “Note V to the Financial Statements – notes (XX) 、(XXVIII) and (XXIX) to the consolidated financial statements” of this annual report.

Asset Pledge

Details of the asset pledge of the Group as of December 31, 2023 are set out in “Note V(XIX) to the Financial Statements – Assets with restricted ownership or right-of-use” of this annual report.

Corporate Governance

The Board is of opinion that, unless otherwise disclosed in this report, the Company has complied with all code provisions and the recommended best practices under the CG Code throughout the Reporting Period and as of the Latest Practicable Date. Principal corporate governance practices adopted by the Company are set out in the section headed “Corporate Governance Report” of this annual report.

Report of the Board

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the Latest Practicable Date, the Company had maintained the minimum public float of the issued Shares as required under the Hong Kong Listing Rules.

Closure of the Register of Members

For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Monday, May 27, 2024 to Thursday, May 30, 2024, both days inclusive, during which period no transfer of the Shares will be effected. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, May 24, 2024.

Important Events after the Reporting Period

The important events after the Reporting Period are set out in "Notes XIV to the Financial Statements – Events after the balance sheet date" of this annual report.

Audit Committee

The Audit Committee of the Board of Directors of the Company has reviewed the Company's and the Group's 2023 annual results, and the audited consolidated financial statements for 2023 prepared in accordance with the China Accounting Standards for Business Enterprises.

Auditor

The financial statements for the year have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO").

Report of the Board

References are made to the announcements of the Company dated January 30, 2022 and December 16, 2022 and the circular dated November 18, 2022.

As PricewaterhouseCoopers Zhong Tian LLP (“PwC”) noted significant cash flows issues during the relevant review procedures performed in accordance with the requirements of the China Securities Regulatory Commission and did not obtain adequate and reasonable explanations and evidence regarding their concerns about the above issues, PwC considered that it was unable to determine the scope of subsequent audit work to be performed and to reasonably estimate the time required to complete the audit work for 2021. Accordingly, PwC has resigned as the auditor of the Company with effect from January 30, 2022.

With the recommendation of the Audit Committee, BDO was appointed as the auditor of the Company with effect from January 30, 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the annual general meeting for the year 2021 of the Company.

As approved by the Audit Committee of the Board and the annual general meeting for the year 2021 of the Company held on December 16, 2022, BDO was appointed as the auditor for the 2022 annual auditing of H Shares of the Company and the 2022 legal auditing of the Company, to review the 2022 interim financial report of the Company prepared in accordance with PRC Accounting Standards, to audit the annual financial statements for 2022 to be prepared by the Company under PRC Accounting Standards for Business Enterprises, to conduct special review on the Company’s matters before 2022 and necessary communication with the Company’s former auditors in accordance with the relevant provisions of PRC Auditing Standards, and to perform other duties as required under the Hong Kong Listing Rules from the date of the annual general meeting for the year 2021 to the conclusion of the annual general meeting for the year 2022 of the Company in accordance with the PRC Company Law, the Hong Kong Listing Rules and other relevant provisions of laws, regulations and the Articles.

Save as disclosed above, the Company has not changed its auditor in the past three years.

For and on behalf of the Board
GUAN Weili
Chairman

Zhejiang, the PRC
April 12, 2024

Report of the Supervisory Committee

To the Shareholders:

In 2023, the Supervisory Committee, in strict accordance with the PRC Company Law, the Articles, the rules of procedure of the Supervisory Committee and other relevant provisions, diligently and responsibly performed various duties and obligations, and exercised their supervisory duties according to law. The Supervisory Committee effectively supervised the standardization and effectiveness of corporate governance, the rationality and legitimacy of major decisions and important operational activities of the Company, and the strategic and forward-looking decision-making of the Directors and senior management personnel of the Company, thereby effectively safeguarding the legitimate rights and interests of the Company and all Shareholders.

During the Reporting Period, the Supervisory Committee prudently reviewed the Company's operation and development plans, effectively monitored the Company's financial activities and supervised the Company's management in formulating major policies and decisions, and provided reasonable suggestions and advice to the Board, to prevent any act that is prejudicial to the interests of the Company and its shareholders.

The Supervisory Committee considers that the decision-making matters and processes of the Company during the year were legal and effective, Directors and the senior management of the Company strictly complied with the laws and regulation and the Articles, conscientiously implemented the resolutions of the general meetings and the Board meetings, the internal control system of the Company has been improved, and the risk prevention and control capability of the Company has been gradually enhanced.

In 2024, the Supervisory Committee will continue to strengthen its supervision of the Company to ensure that the Company's operations are compliance with laws and regulations. At the same time, the Supervisory Committee will further enhance the professional ability, to facilitate better performance of its duties, thereby exerting the independence, professionalism and effectiveness of the supervision of the Supervisory Committee and improving the level of corporate governance.

For and on behalf of the Supervisory Committee

XU Ning

Chairman

Zhejiang, the PRC

April 12, 2024

Corporate Governance Report

Corporate Culture

Driven by the dual segments of psychiatric specialty and elderly healthcare services, the Group has established a treatment service network “based in Wenzhou, intensively cultivated in Zhejiang and radiated across the nationwide” by adopting a model of chain operation that integrates online and offline, striving to become a practitioner of “Health China” undertakings.

Value

Respecting Life and Serving Humbly

We advocate the equality and preciousness of life, and we respect the uniqueness and sanctity of life, which are taken as our supreme value. Reverence is a kind of respect deeply rooted in the heart, and an inner respect for life. Humility is a kind of love, which is externalized in the conscious act of protecting life.

Vision

Professional guardian of psychiatric health

We are determined to become an excellent leader in the sector of psychiatric health who whole-heartedly protect people’s psychiatric health and escort the development of a harmonious society with professional knowledge and skills.

Mission

Providing dignified healthcare services for people with mental disorders

Providing dignified healthcare services for people with mental disorders is not only what we are living for, but also our responsibility and obligation. We will adhere to be a patient-centered organization, and provide high-quality healthcare services that demonstrate personal dignity, professional quality and humanization, so that every patient can feel respect and love.

Corporate Governance Report

The Board

Board Composition

As at the Latest Practicable Date, the Board comprises eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The biographical details of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report. The Board is responsible for the overall management and supervision of the Company’s operation as well as the formulation of overall business strategies. The term of office of the fourth session of the Board is three years. The term of office for these executive Directors, non-executive Directors and independent non-executive Directors took effect from June 9, 2023 until the expiration of the term of office of the fourth session of the Board, and they shall be eligible for re-election upon expiry of the term.

As at the Latest Practicable Date, the Board had met the requirements of Rules 3.10 and 3.10A of the Hong Kong Listing Rules, which require the Company to appoint at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or the expertise in accounting or relevant financial management and require the number of independent non-executive Directors to represent at least one-third members of the Board.

The Company has received annual confirmation of independence from each independent non-executive Director pursuant to the requirements under the Hong Kong Listing Rules. All the independent non-executive Directors have confirmed their independence in accordance with the independence guidelines as set out in Rule 3.13 of the Hong Kong Listing Rules and the Company considers that each independent non-executive Director to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professional skills to the Board, fulfilling the Board’s function in an efficient and effective manner. Independent non-executive Directors are invited to serve on the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy and Risk Management Committee.

The CG Code requires the Directors to disclose to the Company the number and nature of offices held in public companies or organizations and other significant commitments as well as their capacities and the time involved. The Directors have agreed to disclose to the Company their other commitments in a timely manner.

The Company recognises that independence of the Board is a key element of good corporate governance. The Company has established effective mechanisms, including but not limited to entitling the Directors and Committee members to seek independent professional advice on matters relating to the Company where appropriate at the Company’s expense, to ensure independent views and input are available to the Board. These mechanisms in place are subject to annual review by the Board that underpins a strong independent Board.

Corporate Governance Report

Role and Function of and Delegation by the Board

The Board is responsible for the general power management and the business operation of the Company. It delegates day-to-day operations of the Company to the executive Directors and the senior management within the control and the authority framework set by the Board. The delegated functions and responsibilities are periodically reviewed by the Board.

The Board is in charge of the decision-making in all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, recommendation for appointment of Directors and other significant financial and operational matters. For details, please refer to the Articles.

In addition, the Board also delegates the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy and Risk Management Committee of the Company various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in this annual report.

All Directors shall ensure that they perform duties in good faith, in compliance with applicable laws and regulations, and act in the interest of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify its Directors in respect of legal actions against them.

Chairman and Chief Executives

During the Reporting Period, Mr. GUAN Weili is an executive Director and the chairman of the Board, Ms. WANG Lianyue is an executive Director and the general manager of the Company.

Relationship between Directors and Chief Executives

As of the Latest Practicable Date, Mr. GUAN Weili is the spouse of Ms. WANG Lianyue. Save as disclosed above, there are no financial, business, familial or other material relationships among other members of the Board.

Role and Function of the Senior Management

The senior management is the execution body of the Company and is accountable to the Board. As of the Latest Practicable Date, the senior management of the Company comprises seven members. Details of the composition and biographies of the senior management are set out in “Directors, Supervisors and Senior Management” of this annual report. There is a strict separation of powers mechanism between the Board and the senior management. The senior management is in charge of operation management and the decision-making according to its terms of reference as authorized by the Board. The Company regularly refines such authorization in accordance with its needs. The Board, in turn, conducts performance appraisals on senior management and its members in accordance with the Company’s evaluation requirements, the results of which form the basis of their remuneration and performance arrangements.

Corporate Governance Report

Changes of Directors, Supervisors and Chief Executives

On March 10, 2023, due to his retirement and personal health reasons, Mr. ZHAO Xudong ceased to act as an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee.

At the annual general meeting for the year 2022 of the Company on June 9, 2023, Mr. GUAN Weili and Ms. WANG Lianyue were re-elected as executive Directors of the fourth session of the Board and Mr. WANG Jian was appointed as an executive Director of the fourth session of the Board; Mr. QIN Hao and Mr. LI Changhao were re-elected as non-executive Directors of the fourth session of the Board; Ms. ZHONG Wentang was re-elected as an independent non-executive Director of the fourth session of the Board, and Ms. JIN Ling and Mr. CHAN Sai Keung Hugo were elected as independent non-executive Directors of the fourth session of the Board. The terms of office of the aforesaid executive Directors, non-executive Directors and independent non-executive Directors took effect from June 9, 2023.

From June 9, 2023, due to the expiration of his term of office, Mr. LIU Ning retired as an independent non-executive Director of the Company, chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee.

At the annual general meeting for the year 2022 of the Company on June 9, 2023, Mr. QIAN Chengliang was re-elected as an independent Supervisor of the fourth session of the Supervisory Committee, Mr. XU Yongjiu was re-elected as a Supervisor representing the Shareholders of the fourth session of the Supervisory Committee and Ms. ZHANG Yue was appointed as a Supervisor representing the Shareholders of the fourth session of the Supervisory Committee. The fourth session of the Supervisory Committee also includes Mr. XU Ning and Mr. XIE Tiefan, the two employee representative Supervisors who were re-elected at the employee representative meeting held on June 9, 2023 in the Company. The terms of office of the aforesaid Shareholders' representative Supervisors, independent Supervisor and employee representative Supervisors took effect from June 9, 2023.

Save as disclosed above, as at the Latest Practicable Date, there had not been changes in Directors, Supervisors or chief executives of the Company.

Corporate Governance Report

Induction of and Continuous Professional Development for Directors

During the Reporting Period, the Company focused on the continuing professional development of the Directors, organizing training programs for them and encouraging them to take part in. All members of the Board continued to familiarize themselves with various regulatory information and the latest regulatory requirements, including the laws and regulations and regulatory documents in relation to corporate governance and the Hong Kong Listing Rules. They also updated their knowledge and skills, and improved their abilities to perform their duties through various methods, to ensure that they can contribute to the Board in a well-informed manner based on its actual needs. The major trainings attended by the Directors are as follows:

During the Reporting Period, all Directors of the Company, namely Mr. GUAN Weili, Ms. WANG Lianyue, Mr. WANG Jian (appointed on June 9, 2023), Mr. QIN Hao, Mr. LI Changhao, Mr. ZHAO Xudong (resigned on March 10, 2023), Ms. ZHONG Wentang, Ms. Jin Ling (appointed on June 9, 2023), Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023) and Mr. LIU Ning (resigned on June 9, 2023) had read through a number of written materials with regard to Director's duties and responsibilities.

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. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors have complied with the requirements set out in the Model Code during the Reporting Period. The Company minimizes the scope of insiders before publication of such inside information. Any employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period. The Company will register relevant information of such employees, including but not limited to the inside information, personal identity, securities account, the department such employees serve and their responsibilities, for Company's internal check and relevant regulatory authorities' inquiries. If such employees violate relevant laws and regulations, the Company will hand out punishments or turn them in to judicial authorities in accordance with the seriousness of the case.

Corporate Governance Report

Corporate Governance

The Company recognizes the value and importance of improving standard of corporate governance and is committed to such objective. The Company has applied the principles as set out in the CG Code as its own code of corporate governance. The Directors are of the opinion that, save as disclosed in this report, the Company had complied with all the code provisions set out in the CG Code during the Reporting Period and up to the date of this annual report. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

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

Service Contracts of the Directors and Supervisors

Each of the Directors (including non-executive Directors) and Supervisors has entered into a service contract with our Company for a term of which is three years.

The service contracts may be renewed in accordance with the Articles and applicable laws, rules and regulations. None of the Directors or the Supervisors has entered or has proposed to enter into any service contracts with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Accounting Standards

The Company has been applying the China Accounting Standards for Business Enterprises since the financial year of 2017, and has complied with the disclosure requirements in the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “Companies Ordinance”).

Accounting Policies

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”).

The financial statements are prepared on a going concern basis. The new Hong Kong Companies Ordinance became effective in March 3, 2014. Certain related matters in the financial statements have been disclosed according to requirements of the Hong Kong Companies Ordinance.

Corporate Governance Report

Changes of Significant Accounting Policies

The changes of significant accounting policies are set out in “Note III (XXXI) to the Financial Statements – Changes in significant accounting policies” of this annual report.

Attendance at Board Meetings and General Meetings

The Company has adopted the practice of holding Board meetings for at least four times a year at approximately quarterly intervals pursuant to provision C.5.1 of the CG Code. Notices of all regular Board meetings are given not less than fourteen days prior to the meetings to provide all Directors with an opportunity to attend pursuant to provision C.5.3 of the CG Code and relevant matters are included in the agenda of such meeting.

During the Reporting Period, the Company held 16 Board meetings and the attendance of the Directors at the Board meetings was as follows:

Name of Directors	Number of Board meetings convened/attended
Executive Directors	
Mr. GUAN Weili (<i>Chairman</i>)	16/16
Ms. WANG Lianyue	16/16
Mr. WANG Jian (appointed on June 9, 2023)	7/7
Non-executive Directors	
Mr. QIN Hao	16/16
Mr. LI Changhao	16/16
Independent non-executive Directors	
Ms. ZHONG Wentang	16/16
Ms. JIN Ling (appointed on June 9, 2023)	7/7
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)	7/7
Mr. ZHAO Xudong (resigned on March 10, 2023)	4/4
Mr. LIU Ning (resigned on June 9, 2023)	9/9

All Directors are provided with the agenda and relevant information in advance before the meeting. They have access to the senior management members and the joint company secretaries of the Company at all time and, upon reasonable request, can seek independent professional advice at the Company’s expense.

Minutes of the meetings are kept by the secretary to the Board with copies circulated to all Directors for reference and record. Minutes of the Board meetings and committee meetings sufficiently record the details of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date when a meeting is held. The minutes of the Board meetings are open to inspection by Directors.

Corporate Governance Report

During the Reporting Period, two general meetings were held and the attendance of the Directors at the general meeting was as follows:

Name of Directors	Number of general meetings convened/attended
Executive Directors	
Mr. GUAN Weili (<i>Chairman</i>)	2/2
Ms. WANG Lianyue	2/2
Mr. WANG Jian (appointed on June 9, 2023)	1/1
Non-executive Directors	
Mr. QIN Hao	2/1
Mr. LI Changhao	2/2
Independent non-executive Directors	
Ms. ZHONG Wentang	2/2
Ms. JIN Ling (appointed on June 9, 2023)	1/1
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)	1/1
Mr. ZHAO Xudong (resigned on March 10, 2023)	0/0
Mr. LIU Ning (resigned on June 9, 2023)	1/0

Corporate Governance Report

Board Committees

The Board has established four committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy and Risk Management Committee, to handle particular affairs of the Board and the Company. All Board committees of the Company are established with defined written terms of reference which have been uploaded to the website of the Hong Kong Stock Exchange and that of the Company, and are provided with sufficient resources to discharge their duties.

Audit Committee

The Company established the Audit Committee in compliance with Rule 3.21 and Rule 3.22 of the Hong Kong Listing Rules, and its written terms of reference complies with the CG Code and the duties and functions delegated to the Audit Committee by the Board. The primary responsibilities of the Audit Committee are reviewing and supervising the Company's financial reporting procedures, including proposing to appoint or change the external auditor; supervising the Company's internal control system and its implementation; the communication between the internal auditor and external auditor; auditing financial information and its disclosure; reviewing the Company's internal control system and auditing significant connected transactions; nominating the heads of the internal audit department; and dealing with other matters authorized by the Board.

As of the date of this report, the Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (chairman of the Audit Committee) and Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao. Five meetings of the Audit Committee were held during the Reporting Period to, among other matters, review the annual results for the year 2022 and interim results for the year 2023 of the Group.

The attendance of the Directors at the meetings of the Audit Committee held during the Reporting Period was as follows:

Directors	Number of meetings convened/attended
Ms. ZHONG Wentang (<i>Chairman</i>)	5/5
Ms. JIN Ling (appointed on June 9, 2023)	2/2
Mr. LI Changhao	5/5
Mr. LIU Ning (resigned on June 9, 2023)	3/3

Corporate Governance Report

Nomination Committee

The Company has established the Nomination Committee with its written terms of reference complies with the requirements of the CG Code and the duties and functions delegated to the Nomination Committee by the Board. The primary responsibilities of the Nomination Committee are preparing the procedures and criteria for determining the candidates for Directors and the senior management of the Company and conducting preliminary reviews of their qualifications and credentials, including offering the Board advice on its size and composition on the basis of the Company's operating results, assets and shareholding structure; reviewing the procedures and criteria for determining the candidates for Directors and the general manager of the Company and making recommendations to the Board; looking for qualified candidates for Directors and general manager; reviewing and making recommendations on the candidates for the Directors and general manager; reviewing and making recommendations on the candidates for other senior management such as the vice general managers, secretary to the Board and chief accountant which needs to be resolved by the Board; and dealing with other matters authorized by the Board.

According to the nomination policy for Directors, the Nomination Committee shall submit recommendations and relevant materials of the directorial candidate(s) to the Board for consideration, and the Board will decide whether to propose such candidate(s) to the general meeting for election. Nomination by the Nomination Committee shall be based on merit and having due regard for the benefits of diversity of the Board. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to the Company's development.

As of the date of this report, the Nomination Committee consists of two independent non-executive Directors, Mr. CHAN Sai Keung Hugo (chairman), Ms. JIN Ling, and one executive Director, Mr. GUAN Weili. Four meetings of the Nomination Committee were held during the Reporting Period to, among other matters, review the independence of the independent non-executive Directors and evaluate of the structures of committees under the Board.

The attendance of the Directors at the meetings of the Nomination Committee held during the Reporting Period was as follows:

Directors	Number of meetings convened/attended
Mr. CHAN Sai Keung Hugo (<i>Chairman</i>) (appointed on June 9, 2023)	0/0
Mr. GUAN Weili	4/4
Ms. JIN Ling (appointed on June 9, 2023)	0/0
Mr. LIU Ning (<i>Chairman</i>) (resigned on June 9, 2023)	4/4
Mr. ZHAO Xudong (resigned on March 10, 2023)	1/1

The Board adopts a board diversity policy and has discussed all measurable objectives set for its implementation. Please refer to section "Corporate Governance Report – Board Diversity Policy" of this annual report for more details.

Corporate Governance Report

Remuneration Committee

The Company established the Remuneration Committee with its written terms of reference in compliance with the CG Code and the duties and functions delegated to the Remuneration Committee by the Board. The primary responsibilities of the Remuneration Committee are formulating the criteria for and conducting assessment on the Directors and senior management as well as determining and reviewing the remuneration policies and plans for the Directors and senior management, including formulating remuneration plans and proposals in accordance with the terms of reference of the Directors and senior management and the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies; the remuneration plans and proposals include but not limited to criteria, procedures and main assessment system for performance assessment, main proposals and regulations on reward and punishment; reviewing and/or approving matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules; reviewing the performance of the Directors and senior management and conducting annual assessment on their performance and results; supervising the implementation of the remuneration policies of the Company; and dealing with other matters authorized by the Board.

As of the date of this report, the Remuneration Committee comprises three independent non-executive Directors, Ms. JIN Ling (chairman), Ms. ZHONG Wentang and Mr. CHAN Sai Keung Hugo. The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) of the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Directors and senior management). Three meetings of the Remuneration Committee were held during the Reporting Period to, among other matters, review the report of the general manager of the Company for the year 2022 and the H Share Award and Trust Scheme.

The attendance of the Directors at the meeting of the Remuneration Committee held during the Reporting Period was as follows:

Directors	Number of meetings convened/attended
Ms. JIN Ling (<i>Chairman</i>) (appointed on June 9, 2023)	1/1
Ms. ZHONG Wentang	3/3
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)	1/1
Mr. ZHAO Xudong (<i>Chairman</i>) (resigned on March 10, 2023)	0/0
Mr. LIU Ning (resigned on June 9, 2023)	2/2

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by aligning their remuneration with their individual performance. The remuneration package includes basic salary, performance and/or discretionary bonus and other benefits. The remuneration of non-executive Directors and independent non-executive Directors mainly includes the Directors' fee which is determined by reference to their duties and responsibilities by the Board.

The emoluments of each Director for the year ended December 31, 2023 are set out in "Notes to the Financial Statements – Related parties and related party transactions" of this annual report.

Corporate Governance Report

Strategy and Risk Management Committee

The Company has established the Strategy and Risk Management Committee with its written terms of reference in compliance with the duties and functions delegated to the Strategy and Risk Management Committee by the Board. The primary responsibilities of the Strategy and Risk Management Committee include reviewing and making suggestions on the Company's long-term strategic plan and significant investment decisions; reviewing the Company's risk management policies and standards; and supervising and monitoring the Company's exposure to legal risks.

As of the date of this report, the Strategy and Risk Management Committee consists of one executive Director, Mr. GUAN Weili (chairman), one non-executive Director, Mr. QIN Hao, and one independent non-executive Director, Ms. ZHONG Wentang. Two meetings of the Strategy and Risk Management Committee were held during the Reporting Period to, among other things, review the report on internal control and risk management of the Group for the year 2022 and make recommendations to the Board. The Strategy and Risk Management Committee has conducted an annual review regarding internal controls and confirmed the effectiveness of the Group's internal control system in the internal control and risk management report.

The attendance of the Directors at the meeting of the Strategy and Risk Management Committee held during the Reporting Period was as follows:

Directors	Number of meetings convened/attended
Mr. GUAN Weili (<i>Chairman</i>)	2/2
Ms. ZHONG Wentang	2/2
Mr. QIN Hao	2/2

Board Diversity Policy

The Board has adopted a Board diversity policy and discussed all measurable objectives set for its implementation. The Company recognizes and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. It endeavors to ensure that the Board achieves a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The election of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision of all Board appointments will be based on the capability of the selected candidate and his or her potential contributions to the Board in the future. A summary is set out in the table below:

Corporate Governance Report

The Current Composition of the Board

Age	Gender	Years of service as Director
30 – 49 years (4 persons)	Female (37.5%)	1 – 5 years (5 persons)
50 and above (4 persons)	Male (62.5%)	6 – 10 years (3 persons)

The Board currently comprises 3 female Directors and 5 male Directors. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board. The Nomination Committee and the Board considered that, during the year ended December 31, 2023, the composition of the Board was balanced and diversified.

Gender Diversity in the Workforce

As at December 31, 2023, the Group had a total of 4,765 employees (including senior management), of which 66.82% were female employees and 33.18% were male employees. The Group has formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of “fairness, impartiality and openness” in considering the academic qualifications, working experience and skills of the applicants to assess whether they have met the requirements of the employment positions. And background factors of the applicants, such as gender, age, nationality, religion, family status, race, marital status and other categories protected by law, do not affect the interviews, employment and job opportunities of the applicants.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties, including but not limited to:

- to review the Company’s compliance with the CG Code and disclosure in the corporate governance report;
- to develop and review the Company’s policies and practices of corporate governance;
- to develop, review and monitor the code of conduct applicable to Directors and employees;
- to review and monitor the training and continuous professional development of Directors, Supervisors and senior management; and
- to review and monitor the Company’s policies and practices on the compliance with legal and regulatory requirements.

During the Reporting Period, the Board, through its special committees, performed the following corporate governance functions: (1) enhanced the training for and the professional development of Directors and senior management; (2) reviewed the code of conduct for Directors, Supervisors and employees; (3) continuously assessed and optimized corporate governance and performed their duties in strict compliance with all of the requirements of corporate governance; and (4) reviewed the corporate governance report.

Corporate Governance Report

Directors' and Auditor's Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2023, which truthfully and objectively reflected the status of the Company and the Group and of the Group's results and cash flows. The Directors also acknowledge their responsibilities are to ensure that the consolidated financial statements of the Group are published in a timely manner. The management of the Company has provided to the Board the necessary explanation and information so as to enable the Board to carry out an informed assessment of the Company's consolidated financial statements that are submitted to the Board for approval. The Company provides all members of the Board with the latest materials in relation to the Company's results, status and prospects.

The Directors were not aware of any material uncertainties relating to any events or conditions which may cast a significant influence upon the Group's ability to continue as a going concern.

The statement prepared by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report of this annual report.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviews their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failing to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has a clearly defined management structure and process in place with specified terms of reference and responsibilities to prevent unauthorized use or disposal of assets, maintain proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations. An internal audit department has been established by the Company to perform regular financial and operational reviews and recommend actions needed to the relevant management. The internal audit department's work is to ensure the internal controls are conducted properly according to their intended functions. The results of the internal audit and reviews are reported to the Audit Committee. When the Group encounters any potential significant risk, the designated department will identify the risk, and the management will assess the risks and evaluate their impact on the business and the likelihood of the occurrence. After the assessment, the management will determine the strategies and internal control procedures to avoid the risk and prevent similar ones in the future.

Corporate Governance Report

In order to protect Shareholders' interests and assets, the Group has developed a risk management and internal control system of comprehensiveness, clear hierarchies and reasonable division of duties to meet its needs and mitigate the risks. The Audit Committee, established under the Board, is responsible for the supervision of internal audit, evaluation and improvement of the internal control system of the Company, and risk evaluation of material investment projects operated by the Company. The Strategy and Risk Management Committee is mainly responsible for studying and advising on the Company's long-term development strategy and material investment decision and performing the evaluation and control of the overall risk of the Company. In addition, the Company has further formulated administrative measures on related party transaction, which are implemented by the Audit Committee, in order to regulate related party transactions and control risks in respect to related transactions. The Company has also established administrative measures on inside information disclosure. If any potential inside information were disclosed to designated persons from different operating segments, such persons shall determine to further upgrade and disclose as required. The Supervisory Committee monitors the internal control implemented by the Board and the senior management. Segments of all levels complement and reinforce each other, facilitating business development and risk management.

The Board reviews the effectiveness of the Group's risk management and internal control system once per year. Upon confirmation by the Audit Committee and the management, the Board believes that the risk management and internal control system of the Group was sufficient during the year ended December 31, 2023, and that there were no matters of major concerns relating to financial, operational or compliance controls.

Corporate Governance Report

Senior Management's Remuneration

The details of the Company's senior management are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, whose remuneration band for the year ended December 31, 2023 is as below:

Remuneration band (RMB)	Number of individuals
0-700,000	4 persons
700,001-1,400,000	3 persons

Auditor's Remuneration

For the year ended December 31, 2023, the Group's statutory auditor, BDO, provided annual audit services. During the year ended December 31, 2023, the total fee paid/payable in respect of the audit and non-audit services provided by the Group's auditor is set out below:

Audit services	RMB5,088,000
Non-audit services (mainly services for reviewing the 2023 interim financial report of the Company)	RMB424,000

Joint Company Secretaries

Mr. WANG Jian and Mr. WONG Wai Chiu are the joint company secretaries of the Company. Mr. WONG Wai Chiu is the associate director of SWCS Corporate Services Group (Hong Kong) Limited, a professional corporate service provider. Mr. WONG Wai Chiu's primary contact person at the Company was Mr. WANG Jian, the secretary to the Board and the other joint company secretary.

During the Reporting Period, all of them undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

Corporate Governance Report

Communication with Shareholders and Investor Relations

The Board believes that effective communication with investors is essential to build investors' confidence and attract new investors. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables investors to make the most informed investment decision.

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. Such policy and its implementation are regularly reviewed to ensure its effectiveness. Pursuant to the Shareholders' Communication Policy, the Company holds general meetings regularly every year.

The general meetings of the Company provide an important channel for communications between the Board and the Shareholders. Chairman of the Board, as well as chairmen of the four Board committees or, in their absence, other members of the respective committees and where applicable, the independent Board committee, will be available to answer questions at the general meetings.

During the Reporting Period, two general meetings were held by the Company. Published documents together with the latest corporate information and news of the Company are available for inspection on the Company's website at www.knhosp.cn. Investors can also communicate with the Company through email at ir@knhosp.cn.

The Board has reviewed the effectiveness and implementation of the Shareholders' Communication Policy and was of the view that, through the above-mentioned measures, the Shareholders' Communication Policy remained effective and was implemented effectively, to ensure that the Company maintains long-term effective and good communication with its shareholders.

Shareholders' Rights

Procedures for Shareholder(s) to Convene an Extraordinary General Meeting ("EGM")

Shareholders requesting the convening of an EGM shall proceed in accordance with the procedures set forth below:

Shareholders, individually or jointly holding over 10% of the Shares with voting rights at the proposed meeting, have the right to request the Board to convene an EGM or a class meeting in writing. According to laws, administrative regulations and the Articles, the Board shall give written feedbacks to agree or disagree to convene an EGM or a class meeting within ten days after receiving such request.

If the Board agrees to convene an EGM or a class meeting, a meeting notice shall be published within five days after the Board makes such a resolution. Changes to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board disagrees to convene an EGM or a class meeting or fails to give written feedbacks within ten days after receiving such request, then Shareholders individually or jointly holding over 10% of the Shares have the right to request the Supervisory Committee to convene an EGM or a class meeting in writing.

Corporate Governance Report

If the Supervisory Committee agrees to convene an EGM or a class meeting, a meeting notice shall be published within five days after receiving such request. Changes to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to publish the notice of an EGM within the specified period, it shall be deemed that the Supervisory Committee does not convene or preside over a general meeting. Shareholders who individually or jointly hold 10% or more of the Shares for not less than 90 consecutive days may convene and preside over an EGM by themselves. Necessary expenses of the general meeting held by the Supervisory Committee or Shareholders themselves shall be borne by the Company.

Procedures for Shareholder(s) to Put Forward Proposals at a General Meeting

When a general meeting is convened by the Company, the Board, Supervisory Committee or Shareholders who individually or collectively hold more than 3% of the Shares shall be entitled to put forward proposals to the Company.

Shareholders who individually or collectively hold more than 3% of the Shares may submit ad hoc proposals in writing to the convener within 10 days before the convening of an EGM. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. The contact details for the submission of proposals are as follows:

Address:

No.1 Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
the PRC

Fax: (86) 577 8878 9117

Email: ir@knhosp.cn

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the secretary to the Board. The contact details are as follows:

Address:

No.1 Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
the PRC

Fax: (86) 577 8878 9117

Email: ir@knhosp.cn

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Corporate Governance Report

Change in Constitutional Documents

During the Reporting Period, the Articles was not amended.

Dividend Policy

The Company has formulated its dividend policy. Where the Company distributes its after-tax profits of the current year, it shall allocate 10% of the profits as the Company's statutory common reserve. The Company may make no more allocation should the accumulative balance of the Company's statutory common reserve account for more than 50% of the Company's registered capital. Should the accumulative balance of the Company's statutory common reserve be insufficient to make up for the losses of the Company of the previous year, the current year's profits shall first be used for making up such losses before the statutory common reserve is allocated according to the provisions of the preceding paragraph. After the Company has allocated the statutory common reserve from the after-tax profits, it may allocate a discretionary common reserve from the after-tax profits, upon a resolution being made by the general meeting. After the Company has made up for the losses and has allocated statutory common reserve, it shall distribute the remaining profits to the Shareholders based on their shareholding ratios, except for distribution made not based on the shareholding ratios as provided in the Articles. Should the general meeting distribute the profits to the Shareholders before the losses has been made up and the statutory common reserves has been allocated, in violation of the provisions of the preceding paragraph, the profits thus distributed in violation of such provisions must be returned to the Company. No profit shall be distributed in respect of the Shares of the Company being held by the Company.

The Company may distribute dividends in one of the following forms (or in more than two forms simultaneously):

- (I) cash;
- (II) share;
- (III) other methods permitted by laws, administrative regulations, departmental rules and regulation, and the regulatory rules of the place(s) of listing.

The Company shall pay cash dividends and other payments in RMB to domestic Shareholders. Such payments made by the Company to holders of foreign Shares shall be denominated and declared in RMB and paid in HKD. Such HKD required for the Company's payment of cash dividends and other payments to the holders of foreign Shares shall be handled pursuant to the relevant provisions of the administration of foreign exchange of the State.

The Board shall be authorized by way of an ordinary resolution passed by the general meeting to implement the dividend distribution of the Company.

Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. GUAN Weili (管偉立), aged 54, is the chairman of the Board and an executive Director of the Company. He is primarily responsible for the overall business operation and strategic planning of the Company. He founded the Company in February 1996 and became an executive Director since then. Mr. Guan was appointed as chairman of the Board and an executive Director in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, Mr. Guan served as a clinician at Wenzhou Mental Hospital (溫州市精神病院), a local hospital in Wenzhou, from August 1987 to December 1993, where he was primarily responsible for the medical treatment of psychiatric patients.

Mr. Guan graduated from Wenzhou Medical University (溫州醫科大學) (previously known as Wenzhou Medical College (溫州醫學院)) in Wenzhou in August 1987, majoring in medical assistance. Mr. Guan obtained his senior business operator certificate from Wenzhou Municipal Bureau of Personnel (溫州市人事局) in December 2007. Mr. Guan is the spouse of Ms. WANG Lianyue and the brother-in-law of Mr. XU Yi.

Ms. WANG Lianyue (王蓮月), aged 55, is the executive Director and general manager of the Company. She is primarily responsible for the overall hospital operation and business development of the Company. She joined the Company in January 1998 and has served as our general manager since September 2011 and our executive Director since April 2013. Ms. Wang was appointed as our executive Director again in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from August 1988 to December 1997, she was a nurse at Wenzhou Mental Hospital (溫州市精神病院), where she was primarily responsible for general patient care.

Ms. Wang received two associate degrees from Wenzhou Medical University (溫州醫科大學) (previously known as Wenzhou Medical College (溫州醫學院)) in Wenzhou in June 2004 and the Party School of Wenzhou Municipal Committee of the Communist Party of China (中共溫州市委黨校) in Wenzhou in June 2002, where she majored in nursing and economic administration respectively. She graduated from Online Education College of Xi'an Jiaotong University (西安交通大學網絡教育學院), through long-distance education, with a bachelor's degree in law in July 2007. She also completed part-time hospital management courses at the China Europe International Business School (中歐國際工商學院) in Shanghai in September 2006. She was accredited as secondary psychological consultant (二級心理諮詢師) by the Ministry of Human Resources and Social Security of China (人力資源和社會保障部) in December 2004. Ms. Wang is the spouse of Mr. GUAN Weili and the sister-in-law of Mr. XU Yi.

Directors, Supervisors and Senior Management

Mr. WANG Jian (王健), aged 39, is the executive Director, the vice general manager and the secretary to the Board of the Company. He is primarily responsible for overseeing public affairs and investment relationship, corporate financing and listing-related matters. Mr. Wang joined the Company in July 2014 and has served as the secretary to the Board of the Company since then. Mr. Wang was appointed as the secretary to the Board of the Company again in September 2014 after the Company was converted into a joint stock limited liability company. Mr. Wang was appointed as the executive Director and vice general manager of the Company in June 2023. Prior to joining the Company, from June 2009 to July 2014, he served as a staff member (科員) and a senior staff member (副主任科員) in the Xiamen Regulatory Bureau of China Securities Regulatory Commission (中國證券監督管理委員會廈門監管局) where he was primarily responsible for monitoring the corporate governance and information disclosure of listed companies in the Xiamen area. From February 2008 to March 2009, he was a senior auditor at Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), where he was primarily responsible for audit work. From August 2005 to February 2008, he served as an auditor and a senior auditor at PricewaterhouseCoopers Zhong Tian CPAs Limited Company, where he was primarily responsible for audit work.

Mr. Wang obtained a bachelor's degree in management from Guanghua School of Management at Peking University (北京大學光華管理學院) in Beijing in July 2005, where he majored in business administration. Mr. Wang was recognized as a non-practicing certified public accountant (註冊會計師非執業會員) by the Chinese Institute of Certified Public Accountants in April 2010 and was granted the legal professional qualification certificate by the Ministry of Justice of the PRC in March 2014.

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. QIN Hao (秦浩), aged 33, joined the Group in June 2021. He has served as a vice president of investment of Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司), a private equity investment company mainly invests in the fields of new consumption, healthcare and advanced manufacturing, is mainly responsible for the investment in pharmaceutical and healthcare industry, since January 2022. He served as a senior investment manager of Shanghai Loyal Valley Investment Management Co., Limited from June 2017 to December 2021.

Mr. Qin graduated from Peking University in June 2014 with a bachelor's degree in medicine. He graduated from Fudan University in June 2017 with a master's degree in finance.

Mr. LI Changhao (李昌浩), aged 34, joined the Group in October 2021. He has served as the president of the investment team of SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) since January 2022, mainly responsible for the investment in private equity projects. Mr. Li has served as a supervisor of Ningxia Yinxing Energy Co., Ltd. (寧夏銀星能源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000862) and engaged in new energy power generation and new energy equipment engineering business, since October 2023. He has served as a supervisor of Western Region Gold Co., Ltd. (西部黃金股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601069) and engaged in gold mining and smelting, iron ore mining and chrome ores mining, since April 2023. He consecutively served as the investment manager and the vice president of SDIC Chuangyi Industry Fund Management Co., Ltd. from May 2014 to December 2021. He has served as a supervisor of Yunnan Aluminum Co., Ltd. (雲南鋁業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000807) and engaged in bauxite mining, alumina production, aluminium smelting, aluminium processing and production of carbon used in aluminium, since January 2021.

Mr. Li graduated from Beijing University of Posts and Telecommunications with a bachelor's degree in e-commerce and law in September 2012. He graduated from Queen Mary University of London with a master's degree in marketing in December 2013. Mr. Li was accredited as a chartered financial analyst (CFA) by the Chartered Financial Analyst Institute in August 2017, an intermediate analyst by the Ministry of Human Resources and Social Security of the People's Republic of China in December 2017, and a certified financial risk manager (FRM) by the Global Association of Risk Professionals in August 2018.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Ms. ZHONG Wentang (鐘文堂), aged 34, joined the Group in June 2020. She has been serving as a partner of Shanghai Infaith Consulting Co., Ltd. (上海信公企業管理諮詢有限公司), a company engaging in providing consultation services for listed companies, since February 2019, and is mainly responsible for business in sustainable development, and she is in charge of marketing and sales. From February 2016 to February 2019, Ms. Zhong served as a senior consultation manager and consultation business director successively in Shanghai Infaith Consulting Co., Ltd., mainly responsible for business in compliance consultation. From October 2012 to February 2016, she served as an auditor and senior auditor successively in PricewaterhouseCoopers Zhong Tian CPAs Limited Company, mainly responsible for finance and audit for internal control.

Ms. Zhong graduated from Fudan University in Shanghai with a bachelor's degree in sociology in June 2012. She obtained her degree in Master of Business Administration from Fudan University in June 2022.

Ms. JIN Ling (金玲), aged 65, joined the Group in June 2023. Ms. Jin has been the adviser to president and the Chief Accountant of Xiaoshan First People's Hospital (蕭山第一人民醫院) since June 2022. Ms. Jin served as the Chief Accountant of People's Hospital of Zhejiang Province (浙江省人民醫院) from May 2000 to December 2008; the Chief Accountant of the Affiliated Children's Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬兒童醫院) from January 2009 to June 2013; the Chief Accountant of the Second Affiliated Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬第二醫院) from July 2013 to December 2018; and the Chief Financial Officer of Shulan (Hangzhou) Hospital (樹蘭(杭州)醫院) from January 2019 to May 2022. Ms. Jin was once engaged concurrently as a lecturer at the Beijing National Accounting Institute (北京國家會計學院) and Zhejiang University School of Management (浙江大學管理學院).

Ms. Jin graduated from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) with an adult undergraduate degree in July 1996; she obtained a master's degree in business administration from The Open University of Hong Kong (now known as Hong Kong Metropolitan University) in June 2005. In December 2010, Ms. Jin was accredited as a senior accountant by the Human Resources and Social Security Department of Zhejiang Province (浙江省人力資源和社會保障廳).

Mr. CHAN Sai Keung Hugo (陳世強), aged 68, joined the Group in June 2023. Mr. Chan has been as a partner of Liau, Ho & Chan (廖何陳律師行), a Hong Kong law firm, since April 1986, mainly responsible for cross-border & international business, real estate and notarial issues in China. Mr. Chan has been the Founding Vice President of the Hong Kong Professionals and Senior Executives Association (香港專業及資深行政人員協會) since September 2006. From October 2006 to October 2011, he was a member of the Chief Executive Election Committee of Hong Kong. He was a member of the Chinese People's Political Consultative Conference of Shenzhen, China from 2006 to 2010. He has been a consultant lawyer of OR & PARTNERS Solicitors (柯廣輝律師行) since January 2011, and a member of the Board of Trustees of Oral Roberts University, United States since November 2016.

Mr. Chan graduated from the University of Southampton, United Kingdom with a bachelor's degree in law in August 1978. He received an honorary doctorate degree in humanities from Olivet Nazarene University, United States in May 2010.

Directors, Supervisors and Senior Management

Supervisors

Mr. XU Ning (許寧), aged 50, is chairman of the Supervisory Committee. He is primarily responsible for supervising our daily operations and management. Mr. Xu joined the Company in March 2016, and is currently the president of administration and the president of the public relations department of the Company. He is primarily responsible for the administration and brand building of the Company. Mr. Xu acted as the deputy head of office from March 2016 to October 2016, primarily responsible for the supervision of office daily operation. From November 2016 to December 2017, he served as the head of the personnel section, primarily responsible for staff evaluation and staff recruitment and deployment. He served as the vice president of the human resources department of the Company from January 2018 to June 2022. He was appointed as the vice president of the branding department in January 2022 and was appointed as the vice president of administration in June 2022. He was appointed as the executive president and the president of public relations department in March 2023. Prior to joining the Company, he worked with Wenzhou TV Station (溫州電視台) successively as a news reporter at the news department of the news and general channel, producer of “Wenzhou News” (《溫州新聞聯播》), producer at the special feature department from September 1998 to February 2016, during which he was primarily responsible for news reporting and editing.

Mr. Xu graduated from Beijing Broadcasting Institute (北京廣播學院) (now known as the Communication University of China (中國傳媒大學)) in July 1998 with a bachelor’s degree of arts. He received the professional qualification of first class human resources manager (一級人力資源管理師) from the Ministry of Human Resources and Social Security of the People’s Republic of China in February 2018.

Mr. XU Yongjiu (徐永久), aged 46, is our Supervisor. He joined the Company in October 2021 and is primarily responsible for supervising our daily operations and management. Since April 2023, he has served as a president, director and chairman of the investment committee of Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) and is mainly responsible for comprehensive operations and management. Since June 2021, he has been the representative appointed by the managing partners of Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). From July 2004 to December 2007, he served as the senior investment manager of the Development Research Headquarters of Shanghai International Group. From December 2007 to March 2009, he worked at the Investment Banking Headquarters in Asia Pacific of Citigroup. From March 2009 to September 2011, he served as an executive director of Shanghai International Group and the Securities Investment Headquarters of Shanghai Trust. From October 2011 to October 2015, Mr. Xu served as an executive director of GP Capital Co., Ltd. (金浦產業投資基金管理有限公司). From April 2016 to March 2023, he served as a director, member of the investment committee and senior partner of Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) and is mainly responsible for financial and medical investment.

Directors, Supervisors and Senior Management

Mr. Xu graduated from Southwestern University of Finance and Economics with a bachelor's degree in economics in July 2000. He graduated from Fudan University with a master's degree in finance in June 2004. Since January 2015, he has been studying in the School of Life Sciences at Fudan University, where he receives his master's degree in biotechnology engineering. He graduated from China Europe International Business School with EMBA (Executive Master of Business Administration) in November 2022.

Mr. QIAN Chengliang (錢成良), aged 73, is our independent Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Qian joined the Company in June 2017 and has served as our independent Supervisor since then. Prior to joining the Company, from May 2007 to May 2012, he served as a deputy officer at the Standing Committee of Wenzhou Municipal People's Congress (溫州市人大常委會). From February 2003 to April 2007, he served as a vice mayor of Wenzhou. From October 1996 to January 2003, he served as a member of Standing Committee and officer of the organization division in Lishui (麗水市委常委). From November 1995 to September 1996, he served as an executive deputy officer of the organization division of the municipal committee of the Communist Party in Wenzhou.

Mr. XIE Tiefan (謝鐵凡), aged 44, is our Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Xie joined the Company in May 2000 and currently serves as material purchasing department manager, is primarily responsible for equipment purchase and management. From May 2000 to August 2017, he held a variety of positions in the Company including the deputy director of the information department, the deputy director of the equipment department, the director of the equipment department. He was appointed as a Supervisor in September 2014 after the Company was converted into a joint stock limited liability company. He was appointed as material purchasing department manager in September 2017.

Mr. Xie graduated from the Open University of China (中央廣播電視大學) in Beijing with an associate degree in finance in December 2004. He graduated from Jinggangshan University in Jiangxi Province (江西省井崗山大學) with a bachelor's degree in biomedical engineering in January 2016. Mr. Xie was accredited as assistant engineer by the Wenzhou Municipal Bureau of Personnel (溫州市人事局) in December 2007.

Ms. ZHANG Yue (張玥), aged 29, is our Supervisor. She joined the Company in June 2023 and is primarily responsible for supervising our daily operations and management. She has been an investment manager of Shanghai Yuhong Capital Co., Ltd., a private equity firm focusing on impact investments, since October 2021 and is primarily responsible for investing in/managing mental health programs for the youth and elderly.

Ms. Zhang graduated from Jiangnan University in June 2017 with a bachelor's degree in economics, and graduated from the University of Sydney, Australia with a master of business degree in June 2020.

Directors, Supervisors and Senior Management

Senior Management

Mr. ZHOU Chaoyi (周朝毅), aged 61, is our vice general manager. He is primarily responsible for assisting the general manager in managing the infrastructure of our Company. Mr. Zhou joined the Company in February 2005 and has served as our vice general manager since then. He was appointed as our vice general manager in September 2014 again after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from November 1995 to December 2004, Mr. Zhou served as the vice president of Wenzhou Cardiovascular Hospital (溫州心血管醫院) which is a local hospital in Wenzhou, where he was primarily responsible for logistics. From May 1990 to October 1995, Mr. Zhou served as the assistant to president and section chief (科長) of human resources and security section at Wenzhou Traditional Chinese Medicine Hospital (溫州市中醫院) which is a local hospital in Wenzhou, where he was primarily responsible for human resources and security. From January 1986 to April 1990, Mr. Zhou served as the human resource officer and deputy office director-general at Wenzhou Qigong Sanatorium (溫州市氣功療養院) in Wenzhou, where he was primarily responsible for human resources and youth work organization.

Mr. Zhou was accredited as senior business operator by Wenzhou Municipal Human Resources and Social Security Bureau in November 2015.

Mr. YE Minjie (葉敏捷), aged 50, is our vice general manager. He is primarily responsible for assisting the general manager in the management of scientific researching and teaching, and international cooperation of the Company. He joined the Company in October 2013 as the vice president. Mr. Ye was appointed as our vice general manager in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from July 1994 to September 2013, he was the section chief (科長) at Wenzhou Mental Hospital (溫州市精神病院), which is a local hospital in Wenzhou, where he was primarily responsible for scientific research and teaching.

Mr. Ye graduated from Xinxiang Medical University (新鄉醫學院) with a master's degree in psychiatry and mental health in Xinxiang, Henan Province in July 2007. He was accredited as chief physician in psychiatry by the Human Resources and Social Security Bureau of Zhejiang Province (浙江省人力資源和社會保障廳) in January 2014.

Directors, Supervisors and Senior Management

Mr. XU Yi (徐誼), aged 49, is our vice general manager. He is primarily responsible for assisting the general manager in the facility and information technology of the Company. Mr. Xu joined the Company in October 2002 and served as the section chief (科長) in the logistics department from October 2002 to March 2009, where he was primarily responsible for logistics management. From April 2009 to September 2014, he served as our vice president, where he was primarily responsible for assisting the president in the overall management and logistics of the Company. He was appointed as our vice general manager in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from April 1999 to September 2002, he was a teacher at the Party School of Wenzhou Municipal Committee of the Communist Party of China (中共溫州市委黨校), where he was primarily responsible for teaching information technology courses.

Mr. Xu graduated from Zhejiang University (浙江大學) with an undergraduate diploma in human resources management through online education in February 2020. Mr. Xu is the brother-in-law of Mr. GUAN Weili and Ms. WANG Lianyue.

Ms. ZHANG Feixue (章飛雪), aged 54, is our vice general manager. She is primarily responsible for the operation of the hospitals in Taizhou of the Company. Ms. Zhang joined the Company in February 2004 and served as the head of the nursing department from February 2004 to October 2009, where she was primarily responsible for the management of nursing. From November 2009 to September 2010, she served as the head of the education department and the out-patient department, where she was primarily responsible for management. From October 2010 to March 2015, Ms. Zhang served as the vice president of the Company and was primarily responsible for assisting the president in managing nursing affairs. Ms. Zhang has been serving as the vice general manager of the Company since March 2015. Prior to joining the Company, Ms. Zhang held various positions at the Fifth People's Hospital of Yueqing (樂清市第五人民醫院): from October 1995 to January 2004, she served as the head of the nursing department, where she was primarily responsible for hospital nursing management, and from January 1993 to September 1995, she served as an emergency head nurse, where she was primarily responsible for emergency nursing management.

Ms. Zhang graduated from Beijing University of Chinese Medicine (北京中醫藥大學) with a bachelor's degree in nursing through long-distance education in July 2005. Ms. Zhang obtained the certificate of advanced study class for modern health management at Zhejiang University (浙江大學現代衛生管理高級研修班) in Hangzhou, Zhejiang Province in November 2014. Ms. Zhang completed the master of public administration courses at Zhejiang Normal University (浙江師範大學) in Jinhua, Zhejiang Province in June 2017. She was accredited as senior nurse by the Human Resources and Social Security Bureau of Zhejiang Province (浙江省人力資源和社會保障廳) in November 2013.

Directors, Supervisors and Senior Management

Mr. WANG Jian (王健), aged 39, is the executive Director, the vice general manager and the secretary to the Board of the Company. The brief biographical details of Mr. Wang are set out in the section headed “Directors, Supervisors and Senior Management-Executive Directors” of this annual report.

Mr. JIN Weiguang (金偉光), aged 56, is our vice general manager. He is primarily responsible for handling the operation of the Company’s hospitals in Haixi region. Mr. Jin joined the Company in May 2015 and served as the vice general manager of Shenzhen Yining Hospital from May 2015 to May 2017, where he was primarily responsible for operation functions. Mr. Jin served as the chief investment officer of the Company from May 2017 to February 2022 and has served as the general manager of Haixi region of the Company since February 2022. He was appointed as the vice general manager of the Company in November 2018. Prior to joining the Company, from August 1987 to April 2015, he served in Wenzhou Municipal Health Bureau (溫州市衛生局), mainly responsible for planning, finance and other management works, concurrently serving as director of the planning finance department of Wenzhou Municipal Health Bureau from April 2009 to April 2015. From March 2002 to March 2009, he served as deputy head of office and deputy director of the planning finance department of Wenzhou Municipal Health Bureau.

Mr. Jin graduated from the Correspondence College of the Party School of the Central Committee of CPC (中央黨校函授學院) in December 1997, majoring in economic management. He graduated from the regional economic postgraduate course of Zhejiang Normal University (浙江師範大學區域經濟研究生課程進修班) in August 2002. He graduated from the Australian Training Course on Health Administration (Medical Quality Management) (澳大利亞衛生行政管理(醫療質量管理)培訓班) in November 2003. He also graduated from the Public Administration Seminar of Zhejiang University (浙江大學公共管理研修班) in November 2004.

Directors, Supervisors and Senior Management

Mr. JIN Hui (金輝), aged 37, is our chief financial officer. He is primarily responsible for the overall financial management. He joined the Company in January 2022 and has served as our chief financial officer. Prior to joining the Company, he served as audit assistant, project leader and senior partner of Zhejiang Huaming Certified Public Accountants Company Limited (浙江華明會計師事務所有限公司) from February 2012 to December 2021, primarily responsible for the audit of various corporations, enterprises or institutions. He was responsible for the annual report and economic responsibility audit of Wenzhou municipal hospitals; annual report audit projects of large state-owned enterprises; audit of real estate, banking and other industries and government departments. He was employed as a budget review expert of Wenzhou Municipal People's Congress in November 2018, primarily responsible for the review and supervision of budget and final account settlement. Prior to joining the Zhejiang Huaming Certified Public Accountants Company Limited, he served as an audit assistant in Wenzhou Lead Certified Public Accountants Company Limited (溫州立德會計師事務所有限公司) from February 2009 to January 2012.

Mr. Jin graduated from Zhejiang University of Finance & Economics (浙江財經大學) with a bachelor's degree in economics in June 2008. He obtained the qualification of certified public accountant issued by Zhejiang Provincial Department of Finance in March 2013.

Save as disclosed in the following table, during the Reporting Period, other Directors, Supervisors or senior management of the Company did not hold any positions in any members of the Group:

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
GUAN Weili	Qingtian Kangning Hospital Co., Ltd.	Executive director	From April 2011 to present
	Cangnan Kangning Hospital Co., Ltd.	Executive director	From June 2012 to present
	Yongjia Kangning Hospital Co., Ltd.	Executive director	From December 2012 to present
	Yueqing Kangning Hospital Co., Ltd.	Executive director	From September 2013 to present
	Beijing Yining Hospital Co., Ltd.	Chairman	From August 2015 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Executive director	From November 2015 to present
	Pingyang Kangning Hospital Co., Ltd.	Executive director	From November 2015 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Chairman, General manager	From April 2020 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
WANG Lianyue	Yiwu Kangning Hospital Management Co., Ltd.	Executive director, Manager	From January 2017 to present
	Qingtian Kangning Hospital Co., Ltd.	Manager	From December 2018 to present
	Beijing Yining Hospital Co., Ltd.	Director	From May 2019 to present
	Hangzhou Yining Nursery Service Co., Ltd.	Executive director, General manager	From December 2020 to present
	Zhejiang Yining Health Technology Co., Ltd.	Executive director	From September 2022 to present
	Zhejiang Dening Pharmaceutical Co., Ltd.	Chairman	From September 2022 to present
	Chun'an Kangning Huangfeng Hospital Co., Ltd.	Director	From November 2022 to present
	Changchun Kanglin Psychological Hospital Co., Ltd.	Chairman	From May 2023 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
XU Yi	Qingtian Kangning Hospital Co., Ltd.	Supervisor	From April 2011 to present
	Yueqing Kangning Hospital Co., Ltd.	Supervisor	From September 2013 to present
	Shenzhen Yining Hospital Co., Ltd.	Supervisor	From September 2014 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Supervisor	From November 2015 to present
	Beijing Yining Hospital Co., Ltd.	Supervisor	From August 2015 to present
	Taizhou Kangning Hospital Co., Ltd.	Executive director	From June 2016 to present
	Zhejiang Kangning Hospital Management (Group) Co., Ltd.	Executive director, General manager	From July 2016 to present
	Taizhou Luqiao Cining Hospital Co., Ltd.	Executive director, Manager	From December 2016 to present
	Huainan Kangning Hospital Co., Ltd.	Chairman	From June 2018 to present
	Hangzhou Cining Hospital Co., Ltd.	Executive director, General manager	From November 2017 to present
	Wenzhou Tianzhentang TCM Clinic Co., Ltd.	Executive director	From January 2018 to present
	Zhejiang Jerinte Health Technology Co., Ltd.	Executive director, General manager	From December 2018 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Wenzhou Jieling Jingxin Technology Co., Ltd.	Executive director, General manager	From December 2021 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
ZHOU Chaoyi	Yiwu Kangning Hospital Management Co., Ltd.	Supervisor	From January 2017 to present
	Quzhou Yining Hospital Co., Ltd.	Director	From November 2022 to present
WANG Jian	Quzhou Yining Hospital Co., Ltd.	Director	From November 2015 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Chairman, Manager	From January 2019 to present
	Huainan Kangning Hospital Co., Ltd.	Director	From June 2019 to present
	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From March 2020 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Zhejiang Yining Health Technology Co., Ltd.	Manager	From March 2020 to present
	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.	Executive director, General manager	From March 2020 to present
	Hangzhou Yining Medical Equipment R&D Co., Ltd.	Executive director, General manager	From April 2021 to present
	Jinyun Shuning Hospital Co., Ltd.	Chairman	From October 2022 to present
	Beijing Yining Hospital Co., Ltd.	Director, Manager	From February 2023 to present
	Changchun Kanglin Psychological Hospital Co., Ltd.	Director	From May 2023 to present
	Longquan Kangning Hospital Co., Ltd.	Executive director, General manager	From February 2023 to present
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	Chairman	From December 2023 to present	

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
ZHANG Feixue	Linhai Kangning Hospital Co., Ltd.	Executive director, Manager	From January 2018 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Director	From January 2019 to present
	Linhai Cining Hospital Co., Ltd.	Executive director, Manager	From December 2020 to present
JIN Weiguang	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From December 2018 to present
	Pingyang Changgeng Yining Hospital Co., Ltd.	Executive director	From September 2021 to present
XU Ning	Guanxian Yining Hospital Co., Ltd.	Executive director	From July 2019 to present
	Heze Yining Psychiatric Hospital Co., Ltd.	Chairman	From March 2020 to present
JIN Hui	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd.	Supervisor	From September 2022 to present
	Cangnan Yining Nursing Centre Co., Ltd.	Supervisor	From September 2022 to present
	Pingyang Changgeng Yining Hospital Co., Ltd.	Supervisor	From January 2023 to present

Auditor's Report

Xin Kuai Shi Bao Zi [2024] No. 10829

To the Shareholders of Wenzhou Kangning Hospital Co., Ltd.,

I. Opinion

We have audited the financial statements of Wenzhou Kangning Hospital Co., Ltd. (hereinafter referred to as “Kangning Hospital”), which comprise the consolidated and the parent company’s balance sheet as at December 31, 2023, the consolidated and the parent company’s income statement, the consolidated and the parent company’s statements of cash flows, and the consolidated and the parent company’s statements of changes in owners’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the parent company’s financial position as at December 31, 2023, and the consolidated and the parent company’s financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Kangning Hospital in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Report

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters in our audit:

Key Audit Matters	How we addressed the key audit matter
Revenue Recognition Related to Impoverished Patients	
<p>Kangning Hospital may not be able to fully receive the medical expenses that impoverished patients are responsible for. In order to improve revenue recognition related to poverty-stricken patients' medical treatment, Kangning Hospital formulated the "Detailed Rules on the Accounting for Revenue related to Poverty-Stricken Patients" in 2022. According to the rules, the Company set up an estimation model of the variable consideration in revenue recognition related to the treatment for impoverished patients. As the estimation of variable consideration in revenue recognition related to impoverished patients' medical treatment involves significant judgments made by management, we have identified it as a key audit matter.</p>	<p>Our audit procedures include, but are not limited to, the following:</p> <ol style="list-style-type: none">1. Obtaining the method of variable consideration estimation related to revenues recognition of poverty-stricken patients;2. Obtaining the historical data of impoverished patients' medical treatment amounts and various types of payments received for each year and quarter, which are required for the application of the variable consideration estimation method;3. Recalculating the revenues relating to poverty-stricken patients based on the historical data and estimation methods provided by Kangning Hospital, and comparing it with the relevant figures of the Company, specifically focusing on the adjustments of revenue related to impoverished patients from the prior year;4. Analyzing the revenue adjustments made by the Company in previous period regarding impoverished patients based on the comparison results;5. Conducting sample checks on poverty-stricken patients, and analyzing the hospital's control over revenue recognition related to this group of patients.

Auditor's Report

IV. Other Information

Management of Kangning Hospital (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises all of the information included in 2023 annual report of Kangning Hospital other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information while that information is available, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, if we determine that other information is materially misstated, we should report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Kangning Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Kangning Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Kangning Hospital's financial reporting process.

Auditor's Report

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Kangning Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Kangning Hospital to cease to continue as a going concern.

Auditor's Report

VI. Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- (V) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Kangning Hospital to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO China Shu Lun Pan Certified Public Accountants LLP

Signing CPA:
(Engagement Partner)

Signing CPA:

Shanghai, the People's Republic of China
March 28, 2024

Consolidated Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note V	Balance as at the end of the period	Balance as at the end of the previous year
Current assets:			
Cash at bank and on hand	(I)	418,861,721.39	271,094,962.97
Settlement deposits			
Placements with banks and other financial institutions			
Financial assets held for trading	(II)	7,350,298.53	10,641,026.00
Derivative financial assets			
Notes receivable			
Accounts receivable	(III)	420,441,069.56	382,836,690.89
Receivables financing			
Advances to suppliers	(IV)	9,830,552.98	32,201,223.97
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Other receivables	(V)	69,705,728.98	37,195,219.68
Financial assets purchased for resale			
Inventories	(VI)	60,600,180.25	58,331,397.37
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	(VII)	858,020.39	752,324.77
Total current assets		987,647,572.08	793,052,845.65
Non-current assets:			
Granted loans and advances			
Debt investments			
Other debt investments			
Long-term accounts receivable	(VIII)	14,000,000.00	14,000,000.00
Long-term equity investments	(IX)	139,071,987.05	143,546,246.10
Investment in other equity instruments			
Other non-current financial assets	(X)	65,099,055.34	63,116,852.05
Investment properties			
Fixed assets	(XI)	794,856,342.94	695,020,440.79
Construction in progress	(XII)	186,980,240.67	152,497,399.68
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(XIII)	189,054,506.68	190,403,751.58
Intangible assets	(XIV)	320,321,705.16	254,684,348.50
Development expenditure			
Goodwill	(XV)	119,909,089.24	107,655,738.49
Long-term prepaid expenses	(XVI)	175,910,626.14	189,586,338.87
Deferred tax assets	(XVII)	45,146,270.60	20,682,398.07
Other non-current assets	(XVIII)	9,689,210.94	13,541,047.21
Total non-current assets		2,060,039,034.76	1,844,734,561.34
TOTAL ASSETS		3,047,686,606.84	2,637,787,406.99

Consolidated Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	Balance as at the end of the period	Balance as at the end of the previous year
Current liabilities:			
Short-term borrowings	(XX)	127,001,700.00	203,000,000.00
Borrowings from central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading	(XXI)	12,400,000.00	13,922,929.38
Derivative financial liabilities			
Notes payable	(XXII)	1,545,021.09	997,944.00
Accounts payable	(XXIII)	110,060,007.67	85,773,061.53
Receipts in advance	(XXIV)	26,563,603.06	29,894,836.50
Contract liabilities			
Financial assets sold under repurchase agreements			
Receipt of deposits and deposits from other banks			
Funds received as agent of stock exchange			
Funds received as stock underwriter			
Employee benefits payable	(XXV)	84,324,006.40	70,558,349.71
Taxes payable	(XXVI)	38,553,746.47	33,507,164.16
Other payables	(XXVII)	150,270,575.15	72,193,729.87
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(XXVIII)	250,411,756.99	147,598,324.39
Other current liabilities			
Total current liabilities		801,130,416.83	657,446,339.54
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	(XXIX)	557,719,214.69	391,010,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	(XXX)	163,239,532.76	171,437,740.27
Long-term payables	(XXXI)	61,351,340.53	42,404,938.54
Long-term employee benefits payable			
Provisions			
Deferred income	(XXXII)	8,734,099.00	9,037,891.00
Deferred tax liabilities	(XVII)	47,306,056.21	40,547,878.81
Other non-current liabilities			
Total non-current liabilities		838,350,243.19	654,438,448.62
Total liabilities		1,639,480,660.02	1,311,884,788.16

Consolidated Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	Balance as at the end of the period	Balance as at the end of the previous year
Shareholders' equity:			
Share capital	(XXXIII)	74,600,300.00	74,600,300.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital surplus	(XXXIV)	852,695,601.69	855,078,533.30
Less: Treasury stock	(XXXV)	12,587,011.74	
Other comprehensive income			
Special reserves			
Surplus reserve	(XXXVI)	38,399,577.13	38,399,577.13
Provision for general risks			
Retained earnings	(XXXVII)	311,956,229.16	233,506,534.43
Total equity attributable to shareholders of the parent company		1,265,064,696.24	1,201,584,944.86
Non-controlling interests		143,141,250.58	124,317,673.97
Total shareholders' equity		1,408,205,946.82	1,325,902,618.83
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,047,686,606.84	2,637,787,406.99

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XVII	Balance as at the end of the period	Balance as at the end of the previous year
Current assets:			
Cash at bank and on hand		186,837,559.21	90,387,144.89
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	(I)	48,066,557.69	48,279,992.16
Receivables financing			
Advances to suppliers		228,131.12	4,108,064.74
Other receivables	(II)	600,448,325.58	600,014,558.58
Inventories		11,181,002.59	10,260,922.80
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		330,000.00	105,000.00
Total current assets		847,091,576.19	753,155,683.17
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(III)	785,983,439.17	741,962,585.53
Investment in other equity instruments			
Other non-current financial assets		65,099,055.34	63,116,852.05
Investment properties			
Fixed assets		288,701,322.35	300,390,487.39
Construction in progress		113,600.00	311,600.00
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		23,680,002.23	24,714,804.16
Development expenditure			
Goodwill			
Long-term prepaid expenses		18,459,271.72	20,737,641.51
Deferred tax assets		14,608,690.36	15,529,248.15
Other non-current assets		6,320,388.26	7,506,300.00
Total non-current assets		1,202,965,769.43	1,174,269,518.79
TOTAL ASSETS		2,050,057,345.62	1,927,425,201.96

Parent Company Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XVII	Balance as at the end of the period	Balance as at the end of the previous year
Current liabilities:			
Short-term borrowings		125,000,000.00	195,000,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		33,774,329.53	20,689,401.73
Receipts in advance		4,172,410.35	3,299,924.90
Contract liabilities			
Employee benefits payable		20,572,854.31	18,740,841.95
Taxes payable		1,603,746.33	597,972.12
Other payables		38,919,608.73	49,473,505.95
Liabilities held for sale			
Non-current liabilities due within one year		173,615,500.00	91,487,500.00
Other current liabilities			
Total current liabilities		397,658,449.25	379,289,146.65
Non-current liabilities:			
Long-term borrowings		362,042,127.25	284,750,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		25,855,234.63	25,922,687.47
Long-term employee benefits payable			
Provisions			
Deferred income		8,734,099.00	9,037,891.00
Deferred tax liabilities			2,291,279.89
Other non-current liabilities			
Total non-current liabilities		396,631,460.88	322,001,858.36
Total liabilities		794,289,910.13	701,291,005.01

Parent Company Balance Sheets

As at December 31, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XVII	Balance as at the end of the period	Balance as at the end of the previous year
Shareholders' equity:			
Share capital		74,600,300.00	74,600,300.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital surplus		871,230,628.64	871,230,628.64
Less: Treasury stock		12,587,011.74	
Other comprehensive income			
Special reserves			
Surplus reserve		38,399,577.13	38,399,577.13
Retained earnings		284,123,941.46	241,903,691.18
Total shareholders' equity		1,255,767,435.49	1,226,134,196.95
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,050,057,345.62	1,927,425,201.96

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Income Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
I. Total revenue		1,596,265,532.13	1,484,903,042.25
Including: Revenue	(XXXVIII)	1,596,265,532.13	1,484,903,042.25
Interest income			
Premium income			
Fees and commissions income			
II. Total cost of sales		1,495,651,128.76	1,435,161,133.62
Including: Cost of sales	(XXXVIII)	1,185,129,954.78	1,131,971,942.77
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	(XXXIX)	6,474,904.42	4,960,285.79
Selling and distribution expenses	(XL)	17,102,355.09	15,004,027.73
General and administrative expenses	(XLI)	213,025,707.14	205,887,172.40
Research and development expenses	(XLII)	32,466,196.15	33,027,987.79
Financial expenses	(XLIII)	41,452,011.18	44,309,717.14
Including: Interest expenses		39,936,115.20	45,149,998.30
Interest income		5,265,571.27	2,761,765.05
Add: Other income	(XLIV)	15,976,715.23	14,907,710.81
Investment income (losses represented with “-” signs)	(XLV)	-6,067,197.23	2,850,458.27
Including: Investment income from associates and joint ventures		-6,465,278.89	-15,926,847.45
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)	(XLVI)	214,405.20	-15,977,325.91
Credit impairment losses (losses represented with “-” signs)	(XLVII)	-9,354,735.55	-25,191,541.19
Asset impairment losses (losses represented with “-” signs)	(XLVIII)		-10,345,460.56
Gains from disposal of assets (losses represented with “-” signs)	(XLIX)	68,088.99	406,184.95

Consolidated Income Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
III. Operating profit (losses represented with “-” signs)		101,451,680.01	16,391,935.00
Add: Non-operating income	(L)	9,545,446.16	8,553,977.86
Less: Non-operating expenses	(LI)	11,815,508.86	9,341,038.73
IV. Total profit (total losses represented with “-” signs)		99,181,617.31	15,604,874.13
Less: Income tax expenses	(LII)	12,250,009.49	26,573,712.49
V. Net profit (net losses represented with “-” signs)		86,931,607.82	-10,968,838.36
(I) Classified by continuity of operations			
1. Net profit from continued operations (net losses represented with “-” signs)		86,931,607.82	-10,968,838.36
2. Net profit from discontinued operations (net losses represented with “-” signs)			
(II) Classified by ownership of the equity			
1. Net profit attributable to shareholders of the parent company (net losses represented with “-” signs)		85,947,806.64	-24,220,782.31
2. Non-controlling interests (net losses represented with “-” signs)		983,801.18	13,251,943.95
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			

Consolidated Income Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
(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 to other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
Other comprehensive income attributable to non-controlling interests, net of tax			
VII. Total comprehensive income		86,931,607.82	-10,968,838.36
Attributable to shareholders of the parent company		85,947,806.64	-24,220,782.31
Attributable to non-controlling interests		983,801.18	13,251,943.95
VIII. Earnings per share:			
(I) Basic (RMB per share)	(LIII)	1.15	-0.32
(II) Diluted (RMB per share)	(LIII)	1.15	-0.32

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Income Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XVII	Amount for the current period	Amount for the previous period
I. Revenue	(IV)	387,325,861.90	343,141,450.63
Less: Cost of sales	(IV)	269,941,680.92	265,024,147.50
Taxes and surcharges		455,531.13	154,333.60
Selling and distribution expenses		954,503.04	1,692,773.94
General and administrative expenses		76,405,750.06	82,345,368.26
Research and development expenses		20,551,838.32	18,899,109.47
Financial expenses		13,355,222.49	16,480,521.45
Including: Interest expenses		24,083,867.34	26,568,676.00
Interest income		15,119,285.04	11,229,395.04
Add: Other income		2,686,378.93	6,245,933.48
Investment income (losses represented with “-” signs)	(V)	34,292,572.00	49,902,280.65
Including: Investment income from associates and joint ventures		1,538,932.70	-5,377,605.11
Derecognition income of financial assets measured at the amortized cost			
Gains from net exposure hedges (losses represented with “-” signs)			
Gains from changes in fair value (losses represented with “-” signs)		1,982,203.29	-2,695,422.53
Credit impairment losses (losses represented with “-” signs)		-2,576,210.65	-2,398,884.71
Asset impairment losses (losses represented with “-” signs)			
Gains from disposal of assets (losses represented with “-” signs)		39,085.15	-8,958.01
II. Operating profit (losses represented with “-” signs)		42,085,364.66	9,590,145.29
Add: Non-operating income		8,106,945.59	7,271,835.13
Less: Non-operating expenses		1,844,670.16	1,845,924.38
III. Total profit (total losses represented with “-” signs)		48,347,640.09	15,016,056.04
Less: Income tax expenses		-1,370,722.10	-11,913,452.52
IV. Net profit (net losses represented with “-” signs)		49,718,362.19	26,929,508.56
(I) Net profit from continuing operations (net losses represented with “-” signs)		49,718,362.19	26,929,508.56
(II) Net profit from discontinued operations (net losses represented with “-” signs)			

Parent Company Income Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XVII	Amount for the current period	Amount for the previous period
V. Other comprehensive income, 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			
VI. Total comprehensive income		49,718,362.19	26,929,508.56
VII. Earnings per share:			
(I) Basic (RMB per share)			
(II) Diluted (RMB per share)			

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Cash Flow Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,563,715,823.56	1,452,028,763.13
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in cash from repurchase business			
Net cash received from securities brokerage services			
Refund of taxes and levies			
Cash received relating to other operating activities	(LIV)	215,257,897.46	100,857,821.03
Sub-total of cash inflows of operating activities		1,778,973,721.02	1,552,886,584.16
Cash paid for goods and services		534,160,766.19	613,477,474.95
Net increase in customer loans and advances			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements with banks and other financial institutions			
Cash paid for interests, fees and commissions			
Cash paid for policyholders' dividends			
Cash paid to and on behalf of employees		588,242,659.36	525,082,523.24
Payments of taxes and surcharges		54,415,007.31	51,200,498.40
Cash paid relating to other operating activities	(LIV)	337,122,050.70	135,905,523.12
Sub-total of cash outflows of operating activities		1,513,940,483.56	1,325,666,019.71
Net cash flows from operating activities		265,033,237.46	227,220,564.45

Consolidated Cash Flow Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
II. Cash flows from investing activities			
Cash received from disposal of investments		8,279,457.77	
Cash received from returns on investments			1,650,804.41
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,924,936.67	24,100,366.61
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	(LIV)	1,248,000.00	
Sub-total of cash inflows of investing activities		12,452,394.44	25,751,171.02
Cash paid to acquire fixed assets, intangible assets and other long-term assets		179,732,393.77	236,910,178.88
Cash paid to acquire investments		2,447,872.75	
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units		31,289,153.32	53,685,701.28
Cash paid relating to other investing activities	(LIV)	14,000,059.94	8,770,704.43
Sub-total of cash outflows of investing activities		227,469,479.78	299,366,584.59
Net cash flows from investing activities		-215,017,085.34	-273,615,413.57

Consolidated Cash Flow Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
III. Cash flows from financing activities			
Cash received from capital contributions		2,999,500.00	9,153,084.38
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		2,999,500.00	9,153,084.38
Cash received from borrowings		605,774,669.65	387,500,000.00
Cash received relating to other financing activities	(LIV)	55,900,000.00	151,420,250.00
Sub-total of cash inflows of financing activities		664,674,169.65	548,073,334.38
Cash repayments of borrowings		357,677,872.75	324,220,000.00
Cash payments for distribution of dividends, profit or interest expenses		35,398,808.90	51,554,507.56
Including: Cash payments for distribution of dividends and profit by subsidiaries to non-controlling shareholders		3,001,920.88	
Cash paid relating to other financing activities	(LIV)	175,490,616.99	56,121,295.37
Sub-total of cash outflows of financing activities		568,567,298.64	431,895,802.93
Net cash flows from financing activities		96,106,871.01	116,177,531.45
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		4,325.27	78,462.87
V. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at the beginning of the period	(LV)	258,595,990.97	188,734,845.77
VI. Cash and cash equivalents at the end of the period			
	(LV)	404,723,339.37	258,595,990.97

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Cash Flow Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		388,171,338.58	336,363,866.37
Refund of taxes and levies			
Cash received relating to other operating activities		677,755,040.34	495,591,067.36
Sub-total of cash inflows of operating activities		1,065,926,378.92	831,954,933.73
Cash paid for goods and services		132,581,733.32	153,275,777.22
Cash paid to and on behalf of employees		155,983,637.05	147,419,578.70
Payments of taxes and surcharges		1,125,964.24	2,393,183.16
Cash paid relating to other operating activities		662,158,585.72	596,762,811.79
Sub-total of cash outflows of operating activities		951,849,920.33	899,851,350.87
Net cash flows from operating activities		114,076,458.59	-67,896,417.14
II. Cash flows from investing activities			
Cash received from disposal of investments		16,657,744.50	12,396,717.38
Cash received from returns on investments		45,000,000.00	2,298,348.18
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		714,238.30	32,054.56
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		108,521,408.71	
Sub-total of cash inflows of investing activities		170,893,391.51	14,727,120.12
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6,217,731.13	14,643,564.50
Cash paid to acquire investments		54,194,772.75	54,309,855.16
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities		164,426,250.04	
Sub-total of cash outflows of investing activities		224,838,753.92	68,953,419.66
Net cash flows from investing activities		-53,945,362.41	-54,226,299.54

Parent Company Cash Flow Statement

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Amount for the current period	Amount for the previous period
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings		440,050,000.00	334,500,000.00
Cash received relating to other financing activities		19,000,000.00	120,000,000.00
Sub-total of cash inflows of financing activities		459,050,000.00	454,500,000.00
Cash repayments of borrowings		285,207,872.75	306,750,000.00
Cash payments for distribution of dividends, profit or interest expenses		31,779,785.11	26,512,297.06
Cash paid relating to other financing activities		107,109,100.00	6,421,875.00
Sub-total of cash outflows of financing activities		424,096,757.86	339,684,172.06
Net cash flows from financing activities		34,953,242.14	114,815,827.94
IV. Effect of foreign exchange rate changes on cash and cash equivalents		4,325.27	78,462.87
V. Net increase in cash and cash equivalents		95,088,663.59	-7,228,425.87
Add: Cash and cash equivalents at the beginning of the period		90,387,144.89	97,615,570.76
VI. Cash and cash equivalents at the end of the period		185,475,808.48	90,387,144.89

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Statement of Changes in Owners' Equity

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period										Total owners' equity					
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Others	Capital reserve	Treasury stock	Less: comprehensive income	Other	Special reserve		Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests
(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																
IV. Balance as at the end of the period	74,600,300.00					852,695,601.69	12,587,011.74				38,399,577.13	311,956,229.16	1,265,064,696.24	143,141,250.58	1,408,205,946.82	-2,382,931.61

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Statement of Changes in Owners' Equity

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period						Total owners' equity				
	Equity attributable to owners of the parent company										
	Share capital	Preferred shares	Perpetual bonds	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	
I. Balance as at the end of the previous year	74,600,300.00			838,163,395.59		38,399,577.13	257,098,624.31	1,208,263,897.03	72,015,223.54	1,280,279,120.57	
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	74,600,300.00			838,163,395.59		38,399,577.13	257,098,624.31	1,208,263,897.03	72,015,223.54	1,280,279,120.57	
III. Increases/decreases in the current period ("—" for decreases)											
(I) Total comprehensive income				16,913,137.71			-23,392,089.88	-6,678,952.17		52,302,450.43	45,623,498.26
(II) Owner contribution and capital decrease				12,214,418.85			-24,220,782.31	-24,220,782.31		13,251,943.95	-10,968,838.36
1. Common stock contributed by owners										43,363,506.48	43,363,506.48
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others				12,214,418.85				12,214,418.85			12,214,418.85
(III) Distribution of profits										-4,313,000.00	-4,313,000.00
1. Withdrawal of surplus reserves											
2. Withdrawal of provision for general risk											
3. Profit distributed to owners (or shareholders)											
4. Others										-4,313,000.00	-4,313,000.00

Consolidated Statement of Changes in Owners' Equity

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous 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
(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														
IV. Balance as at the end of the period	74,600,300.00				4,698,718.86	853,078,333.30			38,399,377.13	233,506,534.43	1,201,584,944.86	124,317,673.97	1,325,902,618.83	5,327,411.29

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Statement of Changes in Parent Company Owners' Equity

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period							Total owners' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income		Special reserve	Surplus reserve	Retained earnings
I. Balance as at the end of the previous year	74,600,300.00				871,230,628.64				38,399,577.13	241,903,691.18	1,226,134,196.95
Plus: Changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at the beginning of the current year	74,600,300.00				871,230,628.64				38,399,577.13	241,903,691.18	1,226,134,196.95
III. Increases/decreases in the current period ("+" for increases)											
(I) Total comprehensive income											
(II) Owner contribution and capital decrease											
1. Common stock contributed by owners											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Distribution of profits											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
3. 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											
IV. Balance as at the end of the period	74,600,300.00				871,230,628.64				38,399,577.13	284,123,941.46	1,255,767,435.49

Statement of Changes in Parent Company Owners' Equity

For the year 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period						Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	
I. Balance as at the end of the previous year	74,600,300.00				854,317,490.93		1,182,291,530.68
Plus: Changes in accounting policies							
Correction of accounting errors in prior periods							
Others							
II. Balance as at the beginning of the current year	74,600,300.00				854,317,490.93		1,182,291,530.68
III. Increases/decreases in the current period ("+" for increases)							
(I) Total comprehensive income					16,913,137.71		43,842,646.27
(II) Owner contribution and capital decrease					12,214,418.85		26,929,308.36
1. Common stock contributed by owners							
2. Capital invested by holders of other equity instruments							
3. Amounts of share-based payments recognized in owners' equity							
4. Others					12,214,418.85		12,214,418.85
(III) Distribution of profits							
1. Withdrawal of surplus reserves							
2. Profit distributed to owners (or shareholders)							
3. 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					4,698,718.86		4,698,718.86
IV. Balance as at the end of the period	74,600,300.00				871,230,628.64	38,399,377.13	1,226,134,196.95

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

I. General information

Wenzhou Kangning Hospital Co., Ltd. (the “Company”) was established as a joint stock cooperative enterprise under the name of Wenzhou City Kangning Psychiatric Rehabilitation Hospital (溫州市康寧精神康復醫院) in the PRC in February 1996. The address of the Company’s registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

On October 15, 2014, the Company was converted into a joint stock limited liability company and renamed as Wenzhou Kangning Hospital Co., Ltd. (溫州康寧醫院股份有限公司).

The Company has its primary listing on the Stock Exchange of Hong Kong Limited on November 20, 2015. The Company is in the healthcare industry.

As of December 31, 2023, the Company had issued a total of 74,600,300 shares with a registered capital of RMB74,600,300; the registered address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC, and the headquarters address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

The principal operating activities of the Company are operating psychiatric hospitals and providing management services to hospitals.

The actual controlling person of the Company is Guan Weili and his spouse Wang Lianyue.

The financial statements were authorised for issue by the Board of Directors of the Company on March 28, 2024.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

II. Basis of preparation of financial statements

(I) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, application guidance for the Accounting Standards for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereafter collectively referred to as the “Accounting Standards for Business Enterprises”), and the relevant requirements of Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports issued by the China Securities Regulatory Commission. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going concern

The financial statements are prepared on a going concern basis.

III. Significant accounting policies and accounting estimates

1. For the relevant transactions and matters that require professional judgment based on the principle of substance over form, the Company shall fully disclose the specific circumstances, the reasons and basis of the relevant professional judgment, and the specific accounting treatment related thereto.
2. The Company shall strictly follow the relevant laws and regulations on confidentiality in its preparation and disclosure of financial reports.
3. The Company shall formulate specific accounting policies appropriate to the actual production and operation characteristics, and fully disclose the significant accounting policies and accounting estimates. The specific accounting policies and accounting estimates formulated by the Company based on the actual production and operation characteristics shall be presented at the beginning of this section. The Company should not simply copy the original relevant provisions of accounting standards, and should make disclosure in combination with the characteristics of its industry and its own situation.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises issued by Ministry of Finance, and truly and completely present the consolidated and the parent company's financial position of the Company as at December 31, 2023 and their financial performance and cash flows for 2023.

(II) Accounting period

The Company's accounting year starts on January 1 and ends on December 31.

(III) Operating cycle

The Company's operating cycle is 12 months.

(IV) Recording currency

The Company adopts Renminbi (RMB) as recording currency. The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. All the Company's subsidiaries operate within the PRC and their recording currency is RMB. The financial statements are presented in RMB.

(V) Accounting treatments for business combinations under common control and not under common control

Business combinations involving enterprises under common control: The assets and liabilities acquired by the acquirer through business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(V) Accounting treatments for business combinations under common control and not under common control (continued)

Business combinations involving enterprises not under common control: The cost of combination is the fair value of assets paid, liabilities incurred or committed and issued equity securities by the acquirer to obtain control over the acquiree on the acquisition date. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognise such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to profit or loss for the current period. The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in a business combination that meet the recognition criteria are measured at fair value at the acquisition date.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

(VI) The criterion of control and preparation of consolidated financial statements

1. *The criterion of control*

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. The Company controls an entity when has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2. *Consolidation procedure*

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial position, operating results and cash flow of the enterprise group. The impact of internal transactions between the Company and its subsidiaries or between subsidiaries shall be offset. If internal transactions indicate that the relevant assets have suffered impairment losses, this part of losses shall be confirmed in full. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) The criterion of control and preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

The owners' equity, net profit or loss and comprehensive income of subsidiaries for the period attributable to non-controlling shareholders are respectively and separately presented under the owners' equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the loss for the period shared by a non-controlling shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the non-controlling shareholder in the owners' equity of the subsidiary at the beginning of the period, non-controlling interest will be written down accordingly.

(1) Increase of subsidiaries or business

During the Reporting Period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the Reporting Period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under the common control for additional investment or other reasons, equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognised from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the opening retained earnings or the profit or loss for the current period during the period for comparing financial statements.

During the Reporting Period, if the Company acquired subsidiaries or business from the business combination not under common control, all identifiable assets, liabilities and contingent liabilities will be included in the consolidated financial statements from the acquisition date based on their fair value determined on the acquisition date.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) The criterion of control and preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

(1) Increase of subsidiaries or business (continued)

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and carrying amount in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income that can be reclassified into profit or loss and other changes in owners' equity accounted for under the equity method shall be transferred to the investment income in the current period which the acquisition date falls in.

(2) Disposal of subsidiaries

① General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be remeasured by the Company at the fair value thereof on the date of losing the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. Other comprehensive income that will be reclassified into profit or loss later associated with the equity investments of the original subsidiary, or the changes in other owners' equity calculated under the equity method, shall be transferred into investment income of the current period when control is lost.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) The criterion of control and preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

(2) Disposal of subsidiaries (continued)

② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated a package deal:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on that of at least one of the other transactions;
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose of subsidiaries and lose the control; the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognised as other comprehensive income in the consolidated financial statements and should be transferred into the profit or loss for the current period at the loss of the control.

Where various transactions do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) The criterion of control and preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

(3) Purchase of non-controlling interests in a subsidiary

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of non-controlling interest and the share of net assets calculated constantly from the acquisition date or combination date according to the newly increased shareholding ratio; if the share premium of capital reserves is insufficient to offset, the retained earnings will be adjusted.

(4) Partial disposal of equity investments in subsidiaries without losing control

The share premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the share premium of capital reserves is insufficient to offset, the retained earnings will be adjusted.

(VII) Classification of joint arrangement and accounting treatment of joint operation

A joint arrangement is classified into joint operation and joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following items in relation to its share of benefits in joint operations:

- (1) the assets held solely by the Company and those jointly held on a pro-rata basis;
- (2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Company;
- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VIII) Determination standards of cash and cash equivalents

Cash refers to the Company's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents refer to the Company's short-term and highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(IX) Foreign currency transactions and translation of foreign currency statements

1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange difference are recognised in profit or loss for the current period, except for those differences related to a specific-purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

(X) Financial instruments

The Company recognises a financial asset, a financial liability or equity instrument when it becomes a party to the financial instrument contract.

1. Classification of financial instruments

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. At the initial recognition, financial assets are classified as: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

1. Classification of financial instruments (continued)

A financial asset is measured at fair value through other comprehensive income (debt instruments) if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For an investment in equity instruments not held for trading purposes, the Company may irrevocably designate it as financial assets (equity instruments) at fair value through other comprehensive income at the initial recognition. This designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. At initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

At the initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

When meeting any of the following criteria, the Company may, at initial recognition, designate a financial liability as measured at fair value through profit or loss:

- 1) Such designation would eliminate or significantly reduce an accounting mismatch.
- 2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the entity's key management personnel.
- 3) The financial liabilities include embedded derivatives which can be split separately.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

2. Recognition basis and measurement method of financial instruments

(1) Financial assets at amortised cost

Financial assets at amortised cost include bills receivable, accounts receivable, other receivables, long-term receivables, and debt investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated by the effective interest method is included in the profit or loss for the current period.

At recovery or disposal, the difference between the purchase price obtained and the carrying amount of such financial assets is included in the profit or loss for the current period.

(2) Financial assets (debt instruments) at fair value through other comprehensive income

Financial assets (debt instruments) at fair value through other comprehensive income include receivables financing and other debt investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or gains, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the profit or loss for the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

2. Recognition basis and measurement method of financial instruments (continued)

(3) Financial assets (equity instruments) at fair value through other comprehensive income

Financial assets (equity instruments) at fair value through other comprehensive income include investment in other equity instruments, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the profit or loss for the current period.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the profit or loss for the current period. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the profit or loss for the current period.

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the profit or loss for the current period. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the profit or loss for the current period.

At derecognition, the difference between the carrying amount and the consideration paid of such financial liabilities is included in the profit or loss for the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

2. Recognition basis and measurement method of financial instruments (continued)

(6) Financial liabilities at amortised cost

Financial liabilities at the amortised cost include short-term borrowings, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount.

During the holding period, the interest calculated by the effective interest method is included in the profit or loss for the current period.

At derecognition, the difference between the consideration paid and the carrying amount of such financial liabilities is included in the profit or loss for the current period.

3. Recognition basis and measurement method of derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognise financial assets:

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

The Company modifies or renegotiates the contracts with counterparties. If the new terms are substantially different, the Company derecognises the original financial assets and recognises a new financial asset under the revised terms.

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognised.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

3. *Recognition basis and measurement method of derecognition and transfer of financial assets (continued)*

The Company divides the transfer of financial assets into entire transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference between the following two amounts is included in the profit or loss for the current period:

- (1) The carrying amount of the transferred financial assets;
- (2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are financial assets (debt instruments) at fair value through other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire carrying amount of the financial asset transferred shall be allocated between the derecognised part and the recognised part based on the relative fair value, and the difference between the following two amounts shall be included in the profit or loss for the current period:

- (1) The carrying amount of derecognised part;
- (2) The sum of the consideration for the derecognised part and the amount corresponding to the derecognition part in the accumulated change amount of fair value originally and directly included in owners' equity (where the financial assets transferred are the financial assets (debt instruments) at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognised, and the consideration received shall be recognised as a financial liability.

4. *Derecognition of financial liabilities*

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognised; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognised, and at the same time, the new financial liabilities shall be recognised.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

4. *Derecognition of financial liabilities (continued)*

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognised in whole or in part, and the financial liabilities of which terms have been modified shall be recognised as a new financial liability.

Where financial liabilities are derecognised in whole or in part, the difference between the carrying amount of the financial liabilities derecognised and the consideration paid (including non-cash assets surrendered or the new financial liabilities assumed) shall be included in profit or loss for the current period.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire carrying amount of the financial liabilities according to the relative fair value of the part that continues to be recognised and the derecognised part. The difference between the carrying amount allocated to the derecognised part and the considerations paid (including non-cash assets surrendered or the new financial liabilities assumed) shall be included in the profit or loss for the current period.

5. *Determination of fair value of financial assets and financial liabilities*

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Company adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. Unobservable inputs are adopted only when relevant observable inputs are not available or feasible.

6. *Testing and accounting methods for impairment of financial instruments*

The Company has performed impairment accounting of financial assets at amortised cost, financial assets (debt instruments) at fair value through other comprehensive income and financial guarantee contracts based on the expected credit losses.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Company recognizes the expected credit losses as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

6. *Testing and accounting methods for impairment of financial instruments (continued)*

For receivables and contract assets formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14 – Revenue, whether contain significant financing components or otherwise, the Company always measures the loss provision at an amount equal to lifetime expected credit losses.

For lease receivables formed by the transactions regulated in the Accounting Standards for Business Enterprises No.21 – Leases, the Company chooses to always measure the loss provision at an amount equal to lifetime expected credit losses.

For other financial instruments, the Company assesses changes in credit risks of the relevant financial instruments since initial recognition at each balance sheet date.

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument at the balance sheet date is low, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of the financial instrument has increased significantly since initial recognition, the Company measures the loss provision at an amount equal to lifetime expected credit losses of the financial instrument; if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company measures the loss provision at an amount equal to 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in profit or loss for the current period as impairment losses or gains. For financial assets (debt instruments) at fair value through other comprehensive income, the Company recognizes the loss provision in other comprehensive income, and includes impairment losses or gains in profit or loss for the current period, without reducing the carrying amount of the financial asset presented in the balance sheet.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

6. Testing and accounting methods for impairment of financial instruments (continued)

If there is objective evidence that receivables have been credit-impaired, the Company shall make provision for impairment of the receivables on an individual basis.

In addition to above receivables for which the provision for bad debts on the individual basis, the Company classifies the remaining financial instruments into groupings based on credit risk characteristics and determines the expected credit losses on the grouping basis. The grouping categories and the basis for determining the expected credit losses on accounts receivable and other receivables are as follows:

Items	Grouping categories	Basis for determining
Accounts receivable	Overdue days grouping	Segmentation of credit risk characteristics of customer groups
	Grouping of consolidated related parties	Segmentation of credit risk characteristics of customer groups
Other receivables	Grouping of consolidated related parties	Segmentation of credit risk characteristics of customer groups
	Amounts from related parties outside the scope of consolidation	Segmentation of credit risk characteristics of customer groups
	Grouping of deposits and guarantees	Segmentation of credit risk characteristics of contracts
	Grouping of advances	Segmentation of credit risk characteristics of contracts
	Others	Segmentation of credit risk characteristics of contracts

Where the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is written down directly.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XI) Inventories

1. *Classification and cost of inventories*

Inventories are classified as turnover materials, goods sold and goods on hand.

Inventories are measured initially at cost. Cost of inventories comprises costs of purchase and other expenditures incurred in bringing the inventories to their present location and condition.

2. *Valuation method for inventory issued*

Inventories are accounted using the method of first-in-first-out when issued.

3. *Inventory count system*

Adopt the perpetual inventory system.

4. *Amortization of low-value consumables and packaging materials*

Low-value consumables are amortized using one-time amortization method

5. *Recognition criteria and withdrawal method of provision for inventory impairment*

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. When the cost of inventories is higher than the net realisable value, a provision for decline in the value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

Net realisable values of merchandise inventories held directly for sale, such as finished goods, goods on hand, and available-for-sale materials, are measured at the estimated selling prices less the estimated costs necessary to make the sale and related taxes in the normal production process. Net realisable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes in the normal production process. Net realisable values of inventories held for the purpose of fulfillment of sales contracts or service contracts are calculated on the basis of the contract prices; if the quantity of inventories held exceeds that stated in the sales contracts, the net realisable values of the excessive part are calculated on the basis of normal selling prices.

When the provision for inventory impairment is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realisable value of the inventory is higher than the book value of the same, the provision for inventory impairment shall be reversed from the amount of provision for inventory impairment originally made, and the reversed amount shall be included in profit or loss for the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XII) Contract assets

1. *Recognition methods and standards of contract assets*

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company's right to receive consideration for goods transferred or services provided to customers is presented as a contract asset if such right is conditional on factors other than the passage of time. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's rights to receive consideration from customers are presented separately as receivables if such rights are unconditional (only the passage of time is required before payment is due).

2. *Determination and accounting treatment of expected credit loss of contract assets*

For the determination and accounting treatment of expected credit loss of contract assets, please refer to Note "(X) 6. Testing and accounting methods for impairment of financial instruments" herein.

(XIII) Long-term equity investments

1. *Criteria of joint control or significant influence*

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is a joint venture of the Company.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

2. Determination of initial investment cost

(1) Long-term equity investments acquired through a business combination

For long-term equity investments in subsidiaries acquired through a business combination involving enterprises under common control, the initial investment cost of long-term equity investments is its share of the book value of the owners' equity of the acquiree in the combined financial statements of the ultimate controlling party on the date of combinations. The difference between initial investment cost of long-term equity investment and the carrying value of consideration paid is to adjust share premium in the capital reserve; if the balance of share premium in the capital reserve is insufficient, any excess is adjusted to retained earnings. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons the difference between initial investment cost of long-term equity investment according to the aforesaid principle, and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investments in subsidiaries acquired through a business combination involving enterprises not under common control, the combination cost determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

(2) Long-term equity investments acquired other than through a business combination

For long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

For long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investments accounted for using the cost method

Long-term equity investments of the Company in its subsidiaries are accounted for using the cost method unless such investments meet the conditions of held-for-sale. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains are recognized as the Company's share of the cash dividends or profits declared by the investee.

(2) Long-term equity investments accounted for using the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of investment, no adjustment shall be made to the initial investment cost of long-term equity investments. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of investment, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

The Company recognises the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income realized by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity (the "Other Changes of Owner's Equity") except for net profit or loss, other comprehensive income and profit distribution of the investee, the carrying value of long-term equity investment shall be adjusted and included in owner's equity.

The Company's share of net profit or loss, other comprehensive income and Other Changes of Owner's Equity of an investee is determined based on the fair value of identifiable net assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee after the adjustment and other comprehensive income, etc.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

3. *Subsequent measurement and recognition of profit or loss (continued)*

(2) Long-term equity investments accounted for using the equity method (continued)

Unrealised profits and losses resulting from transactions between the Company and its associates or joint venture are eliminated to the extent of the Company's interest in the associates or joint venture, based on which investment income shall be recognized, except for the invested or disposed of assets constituted a business. Unrealised losses resulting from transactions with the investee, which are attributable to impairment of assets, shall be fully recognized.

The Company discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Company has an obligation to assume additional losses. Where net profits are subsequently made by the associate or joint venture, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included into profit or loss for the current period.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognised originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same as that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes of Owner's Equity shall be carried forward to profit or loss for the current period in proportion.

Where the Group loses the joint control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognised upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes of Owner's Equity shall be transferred to profit or loss for the current period in full.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

3. Subsequent measurement and recognition of profit or loss (continued)

(3) Disposal of long-term equity investments (continued)

Where the Group loses the control over the investee on account of the partial disposal of equity investment and any other reason, at the preparation of any single financial statements, if the remaining equity has the joint control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognised before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and Other Changes of Owner's Equity recognised on account of the accounting by the equity method shall be carried forward to profit or loss for the current period in proportion; if the remaining equity has no joint control over or significant influence on the investee, relevant financial assets shall be recognised, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in profit or loss for the current period, and other comprehensive income and Other Changes of Owner's Equity which have been recognised before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognised as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the current period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIV) Fixed assets

1. *Recognition and initial measurement of fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of over one accounting year. A fixed asset is recognised only when:

- (1) it is probable that the economic benefits associated with the fixed assets will flow to the enterprises;
- (2) the cost of the fixed assets can be reliably measured.

The fixed assets are initially measured at cost (and by taking the impact of expected disposal costs).

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are included in profit or loss for the current period in which they are incurred.

2. *Depreciation methods*

Fixed assets are depreciated using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For the fixed assets with provision for impairment, the depreciation amount is determined based on the carrying amount after deducting the impairment provision and the remaining useful life in the future period. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIV) Fixed assets (continued)

2. Depreciation methods (continued)

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of various fixed assets are as follows:

Category	Depreciation methods	Depreciation years (years)	Residual value rate (%)	Annual depreciation rates (%)
Buildings and structures	Straight-line method	35	5	2.71
Medical equipment	Straight-line method	3-10	0-5	9.50-33.33
Motor vehicles	Straight-line method	4-10	5	9.50-23.75
Electronic equipment and other equipment	Straight-line method	3-10	0-5	9.50-33.33

3. Disposal of fixed assets

A fixed asset is derecognised on disposal or when no economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sales, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(XV) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVI) Borrowing costs

1. Recognition criteria of capitalisation of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalisation should be capitalised and recorded into relevant asset costs; other borrowing costs should be recognised as costs according to the amount incurred and be included into profit or loss for the current period.

Assets eligible for capitalisation refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

2. Capitalisation period for borrowing costs

Capitalisation period refers to the period from the beginning of capitalisation to the cease of capitalisation, excluding the period of capitalisation suspension of borrowing costs.

Capitalisation of borrowing costs shall start when the following conditions are satisfied simultaneously:

- (1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalisation, have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalisation of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalisation have reached their intended use or sale status.

3. Capitalisation suspension period

If the acquisition, construction or production activities of assets eligible for capitalisation are abnormally interrupted and such interruption lasts for more than 3 months, the capitalisation of borrowing costs should be suspended; if the interruption is necessary for the acquired, constructed or produced assets eligible for capitalisation to reach the working condition for their intended use or sale, the borrowing costs will continue to be capitalised. Borrowing costs incurred during the interruption are recognised as profit or loss for the current period and the borrowing cost shall continue to be capitalised until the acquisition, construction or production of the assets restarts.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVI) Borrowing costs (continued)

4. *Measurement method of capitalisation rate and capitalised amounts of borrowing costs*

For the specific borrowings obtained for the acquisition, construction or produce of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For general borrowings utilised for the acquisition, construction or produce of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalization of the general borrowings is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the capitalisation rate of the utilised general borrowings. The capitalisation rate is determined based on the weighted average effective interest rate for general borrowings.

During the period for capitalisation, the exchange differences arising from translation of the principal and interest of the specific borrowings denominated in foreign currency should be capitalised, and included in the cost of assets eligible for capitalisation. The exchange differences arising from translation of the principal and interest of borrowings denominated in foreign currency other than the specific borrowings denominated in foreign currency should be included in profit or loss for the current period.

(XVII) Intangible assets

1. *Valuation method of intangible assets*

- (1) Intangible assets are initially measured at cost upon acquisition;

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use.

- (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized over the term in which economic benefits are brought to the firm; if the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortized.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVII) Intangible assets (continued)

2. Estimated useful lives for the intangible assets with finite useful life

Item	Estimated useful lives (years)	Amortisation method	Basis
Land use rights	40-50	Straight-line method	Set out in land use right certificate
Software	5	Straight-line method	Estimated economic life
Contractual right to provide management services	20-30	Straight-line method	Estimated economic life
Medical practicing qualification	5-20	Straight-line method	Estimated economic life
Trademark rights	10	Straight-line method	Estimated economic life

3. Specific criteria for classifying research and development phases

Expenditure on an internal research and development project of the Company is classified into expenditure on the research phase and expenditure on the development phase.

Research phase: Research phase is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: Development phase is the phase when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVII) Intangible assets (continued)

4. *Specific criteria for capitalisation of development expenditures*

The research expenditure is included in profit or loss for the current period when it incurred. The development expenditure is recognised as intangible assets when it meets the following conditions at the same time, and is included in profit or loss for the current period when it fails to meet the following conditions:

- (1) It is technically feasible to complete the intangible assets so that they can be used or sold;
- (2) The Company has intention to complete the intangible assets and use or sell them;
- (3) The way in which the intangible asset generates economic benefits, including the ability to prove the existence of a market for the products produced using the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it is to be used internally;
- (4) The Company has sufficient technical, financial and other resources support to complete the development of the intangible assets, thereafter, has the ability to use it or sell it;
- (5) The expenditure attributable to the development stage of the intangible assets can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in profit or loss for the current period.

(XVIII) Impairment of long-term assets

Long-term assets, such as long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and oil and gas assets are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVIII) Impairment of long-term assets (continued)

Goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment.

When the Company carries out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by business combination to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. The relevant asset group or sets of asset groups is an asset group or sets of asset groups that can benefit from the synergies of a business combination.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, the amount of the impairment loss is first set off against the carrying amount of goodwill allocated to the asset group or sets of asset groups and then set off against the carrying amount of each other asset in the asset group or sets of asset group on a pro-rata basis based on the proportion of the carrying amount of each other asset other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

(XIX) Long-term prepaid expenses

Long-term prepaid expenses are those expenditures that have been incurred but should be recognised as expenses over more than one year in the current period and subsequent periods.

(XX) Contract Liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The obligation of the Company to transfer goods or provide services to customers due to the consideration received or receivable from customers is listed as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXI) Employee benefits

1. *Accounting treatment on short-term employee benefits*

The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

With regard to contributions to social insurance schemes and housing funds and provision for labour union expenses and employee education expenses as required by regulations, the Company should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion of provision as stipulated by relevant requirements in the accounting period in which employees provide service.

Welfare expenses incurred by the Company are recorded in in profit or loss for the current period or costs of related assets based on actual amount when actually incurred. Non-monetary employee benefits are measured at fair value.

2. *Accounting treatment on post-employment benefits*

(1) Contribution plans

The Company pays basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company calculates the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into profit or loss for the current period or costs of assets. In addition, the Company has participated in an enterprise annuity plan/supplementary pension insurance fund approved by the relevant national authorities. The Company pays premiums to the annuity plan/local social endowment insurance institutions based on a certain proportion of total salary of the qualified employees. Corresponding expenditures would be charged into profit or loss for the current period or costs of assets.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXI) Employee benefits (continued)

2. Accounting treatment on post-employment benefits (continued)

(2) Defined benefit plans

The Company will recognize the benefit obligations arising from the defined benefit plan by using the formula established by the Expected Accumulated Welfare Unit Method. The benefit obligations will be attributed to the period of service provided by employees and recognized as part of the profit or loss or the cost of related assets for current year.

The net deficit or surplus of the defined benefit plan will be recognized as either a liability or an asset of the plan, calculated as the present value of the benefit obligations less the fair value of the defined benefit plan assets. If the defined benefit plan has a surplus, the Company will measure the net asset of the defined benefit plan as the lower of the surplus and the limit of the defined benefit plan assets.

All benefit obligations of the defined benefit plan, including those expected to be paid within twelve months after the end of the Reporting Period in which employees provide services, will be discounted at the market yield on government bonds or high-quality corporate bonds traded in an active market that match the term and currency of the defined benefit plan obligations on the balance sheet date.

The service cost of the defined benefit plan and the net interest expense or income on the net liability or asset of the defined benefit plan will be charged into the profit or loss for current year or the cost of related assets. Changes in the net liability or asset of the defined benefit plan resulting from a remeasurement will be recognized as other comprehensive income and will not be reclassified to profit or loss in subsequent accounting periods. Upon termination of the defined benefit plan, any portion of the amount previously recognized as other comprehensive income will be reclassified to retained earnings in the equity section of the statement of financial position.

Upon settlement of the defined benefit plan, any gain or loss resulting from the difference between the present value and the settlement price of benefit obligation will be charged into gain or loss.

3. Accounting treatment on termination benefits

Where the Company provides termination benefits to employees, the employee compensation liability arising from the termination benefits shall be recognized and included in profit or loss for the current period in the following cases (whichever the earliest): when the Company cannot unilaterally withdraw the termination benefits provided due to the termination of labor relationship plan or dismissal proposal; or when the Company recognizes costs or expenses associated with a reorganization involving the payment of termination benefits.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXII) Provisions

The Company shall recognize the obligations related to contingencies as provisions, when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Company;
- (2) it is probable that an outflow of economic benefits from the Company will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. Otherwise, the best estimate is determined based on the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves multiple items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

Where all or some of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the provisions.

If the Company reviews the carrying amount of the estimated liabilities at the balance sheet date and there is conclusive evidence that the carrying amount cannot reflect the current best estimate, the carrying amount is adjusted based on the current best estimate.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXIII) Share-based payments

A share-based payment of the Company is a transaction in which the Company grants equity instruments or assumes liabilities that are determined based on equity instruments, in exchange for services rendered by employees or other parties. Share-based payments of the Company are divided into equity-settled share-based payments and cash-settled share-based payments.

1. *Equity-settled share-based payment and equity instrument*

The equity-settled share-based payment in return for services of employees shall be measured at the fair value of the equity instrument granted to the employees. For share-based payment transactions with immediate vesting rights, the related costs or expenses are included at the grant date at the fair value of the equity instruments, with a corresponding increase in capital reserve. For share-based payment transactions which is exercisable after the vesting period or subject to the required performance conditions, the Company included the services received in the current period to the related costs or expenses based on the best estimate of the number of vesting equity instruments at the fair value at the grant date at each balance sheet date in the vesting period, with a corresponding increase in capital reserve.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognized as an increase in the service received.

If the granted equity instruments are cancelled during the vesting period, the Company treats the cancellation of the granted equity instruments as an accelerated exercise of rights by immediately crediting the amount to be recognized during the remaining vesting period to the profit or loss of the current period and simultaneously recognizing the capital reserve. However, if new equity instruments are granted and they are verified at the granting date of new equity instrument as alternatives vested to cancel equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of original equity instrument.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXIII) Share-based payments (continued)

2. *Cash-settled share-based payments and equity instrument*

A cash-settled share-based payment shall be measured at fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. For share-based payment transactions with immediate vesting rights, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. For share-based payment transactions which are exercisable after the vesting period or subject to the required performance conditions, the services received in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company at each balance sheet date in the vesting period. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured and the changes will be included in the profit or loss for the current period.

If the Company has amended the terms and conditions of its share-based payment agreements settled in cash to settle them in equity. On the date of modification (regardless of whether it occurs during the vesting period or after the end of the vesting period), the Company shall measure the share-based payment settled in equity at fair value on the date the equity instruments are granted and record the services received in the capital reserve. At the same time, the previously recognized liability related to the share-based payment settled in cash as of the modification date shall be derecognized, and any difference between the two shall be recognized in the profit or loss for current period. If the modification extends or shortens the vesting period, the Company shall account for it based on the revised vesting period.

(XXIV) Revenue

1. *Accounting policies adopted for revenue recognition and measurement*

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods or services, and obtain substantially all of the benefits from the goods or services.

If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods or services committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXIV) Revenue (continued)

1. Accounting policies adopted for revenue recognition and measurement (continued)

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the revenue accumulatively recognized which is not likely to be significantly reversed when the relevant uncertainty disappears. Where there are significant financing elements in the contract, the Company recognizes the transaction price at an amount that reflects the price that a customer would have paid for the goods or services if the customer had paid in cash when the customer had obtained control over such goods or services. The difference between the transaction price and the amount of contract consideration is amortized using an effective interest method over the contract term.

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- The customers can control the goods under construction in the course of the Company's performance.
- Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

Where performance of a single service contract takes place over a certain period of time, revenue should be recognized as performance takes place, except where the stage of performance can not be determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the fulfillment progress of the performance cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXIV) Revenue (continued)

1. Accounting policies adopted for revenue recognition and measurement (continued)

For a performance obligation satisfied at a certain point in time, the Company shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of goods or services, the Company considers the following indications:

- the Company enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time.
- the Company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity.
- the Company has transferred the commodity in kind to the customers, that is, the customers have actually taken possession of the goods.
- the Company has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity.
- the customer has accepted the goods or services.

2. Specific method for revenue recognition and measurement

(1) Revenue from treatments and healthcare services

Revenue from treatments and healthcare services consists of treatment revenue, other healthcare service revenue and forensic service revenue. The Company recognizes revenue from the provision of various types of professional medical services to its service recipients when the medical services have been rendered and the price has been paid or an unconditional right to receive payments has been obtained. If the Company has received payments from the service recipients but not yet provided the medical services related to the treatments, such payments are recognized as advances.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXIV) Revenue (continued)

2. Specific method for revenue recognition and measurement (continued)

(2) Wholesale and retail revenue of pharmaceutical and equipment

The Company sells pharmaceuticals to the customers on a wholesale or retail basis and recognizes revenue when customers confirm the purchase of the pharmaceuticals.

(3) Revenue from management services

Revenue from management services is recognized at the time the services are rendered and in accordance with the progress of the management services rendered when the Company develops a qualified right to receive payments for the cumulative portion of performance to date throughout the period of the contract.

(4) Property leasing revenue

Property leasing revenue is the realization of related property leasing revenue that is recognized on a straight-line basis based on the terms of the contract or agreement with the lessee.

(XXV) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which do not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

- The cost is directly related to a current or expected contract.
- The cost increases the resources of the Company to fulfill its performance obligations in the future.
- The cost is expected to be recovered.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXV) Contract costs (continued)

If the incremental cost incurred by the Company in obtaining the contract can be expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will include it into profit or loss for the current period as incurred.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost expected to be incurred for the transfer of the relevant goods or services.

If the above-mentioned excess is higher than the book value of such assets as a result of any subsequent change of impairment factors in the previous period, the provision for impairment of assets previously made shall be reversed and included in profit or loss for the current period as incurred to the extent the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

(XXVI) Government grants

1. Types

Government grants are monetary assets or non-monetary assets obtained by the Company from the government for free, and are divided into government grants related to assets and government grants related to income.

Government grants related to assets are those obtained by the Company for the purposes of acquisition, construction or other projects that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

2. Timing for recognition

Government grants are recognized when the Company can comply with the conditions attached to them and when they can be received.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVI) Government grants (continued)

3. Accounting treatment

Asset-related government grants shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in profit or loss for the current period by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income);

Government grants related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in profit or loss for the current period when such costs and losses are recognized (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the grants used to compensate relevant costs or losses that have been incurred by the Company are recorded directly in profit or loss for the current period (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses.

(XXVII) Deferred tax assets and deferred tax liabilities

Income tax comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized in profit or loss for the current period except to the extent that they relate to a business combination and transactions or matters recognized directly in owners' equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences).

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future years, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVII) Deferred tax assets and deferred tax liabilities (continued)

Save for exceptions, deferred tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognizing deferred tax assets or deferred tax liabilities include:

- the initial recognition of the goodwill;
- transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected, and the initial recognition of assets or liabilities does not give rise to equal taxable temporary differences and deductible temporary differences when transactions occur.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not be reversed in the foreseeable future. When it is probable that the deductible temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the deductible temporary differences can be utilized, the corresponding deferred tax assets are recognized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future against which the benefits of the deferred tax asset will be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

When the Company has a legally enforceable right to set-off and intends either to settle on a net basis or to acquire the tax asset and settle the tax liability simultaneously, current tax assets and current tax liabilities shall be presented as the net amount after offsetting.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVII) Deferred tax assets and deferred tax liabilities (continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- when the taxable entity has the legal right to set off current tax assets and current tax liabilities on a net basis;
- when the deferred tax assets and deferred tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax authority, or related to different entities liable to pay tax but the relevant entities intend to settle on a net basis or to acquire the tax assets and settle the tax liabilities simultaneously in the future period in which significant deferred tax assets and liabilities would be reversed.

(XXVIII) Lease

Lease refers to a contract whereby the lessor conveys the right to use an asset to the lessee in exchange for consideration within a period of time. At the commencement date of the contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

For a contract that contains multiple separate leases, the Company separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separate the lease and non-lease components.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. *The Company as a lessee*

(1) Right-of-use assets

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the Company;
- the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease, except those incurred for the production of inventories.

The Company adopts straight-line method to accrue the depreciation of the right-of-use assets subsequently. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the leased asset over its remaining useful life; otherwise, the Company depreciates the leased asset over the shorter of the lease term and its remaining useful life.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in Note “III. (XVIII) Impairment of long-term assets” and conducts accounting treatment for impairment loss identified.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under the guaranteed residual value provided by the Company;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined reasonably, the Company's incremental borrowing rate is used.

The Company shall calculate the interest expenses of lease liabilities in each period of the lease term at the fixed periodic interest rate, and include it into profit or loss for the current period or cost of relevant assets.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss for the current period or cost of relevant assets in which they actually arise.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(2) Lease liabilities (continued)

After the commencement date of lease term, if the following circumstances occur, the Company remeasures the lease liability and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero and the lease liability still needs to be further reduced, the Company accounts for the difference in profit or loss for the current period:

- when the assessment results of the purchase, extension or termination option change, or the actual exercise condition of the aforementioned options is inconsistent with the original assessment results, the Company remeasures the lease liabilities in accordance with the present value calculated based on the lease payments after changes and the revised discount rate;
- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the present value calculated based on the lease payments after changes and the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, a revised discount rate is used.

(3) Short-term leases and leases of low-value assets

Where the right-of-use asset and lease liability are not recognized by the Company for short-term leases and leases of low-value assets, the relevant lease payments are included in profit or loss for the current period or costs of relevant assets in each period of the lease term on a straight-line basis. Short-term leases are defined as leases with a lease term of not more than 12 months from the commencement date and excluding a purchase option. Leases of low-value assets are defined as leases with underlying low value when new, the original lease shall not belong to a lease of low value asset.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(4) Lease change

The Company will account for the lease change as a separate lease if the lease changes and meets the following conditions:

- the lease change expands the scope of lease by increasing the rights to use one or more leased assets;
- the increased consideration and the individual price of the expanded part of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Company shall re-allocate the consideration of a changed contract, re-determine the lease term, and remeasure the lease liabilities by the present value calculated from the changed lease payments and revised discount rate on the effective date of the lease change.

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying amount of the right-of-use asset accordingly, and recognizes the related gains or losses from partially or completely terminated leases into profit or loss for the current period. For other lease change that cause the lease liabilities to be remeasured, the Company adjusts the carrying amount of the right-of-use assets accordingly.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

2. *The Company as a lessor*

At the commencement date of lease term, the Company classifies leases as finance leases and operating leases. A finance lease is a lease that essentially transfers substantially all the risks and rewards incidental to ownership of a leased asset, irrespective of whether the ownership of the asset is eventually transferred. An operating lease is a lease other than a finance lease. As a sub-leasing lessor, the Company classifies the sub-leases based on the right-of-use assets of the original leases.

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognized as rental income on a straight-line basis in each period of the lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in profit or loss for the current period by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in lease payments shall be recognized in profit or loss for the current period in which they occurred. If a change in operating leases occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payment received in advance or receivable in connection with the lease prior to the change is considered to be the payments of the new lease.

(2) Accounting treatment of finance leases

At the commencement date of lease term, the Company recognizes finance lease receivable and derecognizes the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. Net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease payments receivable which were not received at the commencement date of lease term, discounted at the interest rate implicit in the lease.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

2. The Company as a lessor (continued)

(2) Accounting treatment of finance leases (continued)

The Company calculates and recognizes interest income in each period during the lease term, based on a fixed periodic interest rate. The derecognition and impairment of finance lease receivable are accounted for in accordance with Note “III. (X) Financial instruments”.

Variable lease payments not included in the measurement of the net investment in the lease are included in profit or loss for the current period in which they occurred.

When a finance lease changes and the following conditions are simultaneously met, the Company accounts for the lease change as a separate lease:

- the change expands the scope of lease by increasing the right to use one or more leased assets;
- the increased consideration and the individual price of the expanded part of the lease are equivalent to the amount adjusted for the contract.

Where a change in a finance lease is not accounted for as a separate lease, the Company accounts for the lease after the change according to the following situation:

- in case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Company accounts for it as a new lease from the effective date of the modification and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the leased assets;
- in case where the lease would have been classified as a finance lease assuming the modification became effective at the commencement date of the lease, the Company conducts accounting treatment in accordance with the policy regarding the modification or renegotiation of contracts described in Note “III. (X) Financial instruments”.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

3. Sale and leaseback transaction

The Company assesses whether the transfer of assets in sale-and-leaseback transactions is a sale in accordance with the principles described in Note “III. (XXIV) Revenue”.

(1) The Company as a lessee

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset’s book value that relates to the right of use acquired by the lease back and recognizes a gain or loss related to the right transferred to the lessor only.

If the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer proceeds. For details of the accounting treatment of financial liabilities, please refer to Note “III. (X) Financial instruments”.

(2) The Company as a lessor

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company accounts for the purchase of the assets as a lessor and accounts for the asset lease in accordance with the aforementioned policy stated in “2. The Company as a lessor”; if the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds. For details of the accounting treatment of financial assets, please refer to Note “III. (X) Financial instruments”.

(XXIX) Repurchase of the Company’s shares

The Company adopted cost method in the accounting treatment for repurchase of shares, for details, please refer to Note V. (XXXV).

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXX) Determination methodology and selection basis of the materiality criteria

Items	Materiality Criteria
Significant accounts receivable with provision for bad debts on individual basis	Amounts provided on individual basis represent more than 10% of the total bad debts provision for all types of accounts receivable, with the amounts are more than RMB1,000,000;
Recovery or reversion of significant accounts receivable with provision for bad debts	Amounts recovered on individual basis represent more than 10% of all types of the total accounts receivable, with the amounts are more than RMB1,000,000;
Significant accounts receivable actually written off	Amounts written off on individual basis represent more than 10% of the total bad debts provision for all types of accounts receivable, with the amounts are more than RMB1,000,000;
Significant accounts payable and other payables	Accounts payable/other payables aged over 1 year on individual basis represent more than 10% of the total accounts payable/other payables, with the amounts are more than RMB1,000,000;
Important construction in progress	The budget of a single project is more than RMB5,000,000;
Significant non-wholly-owned subsidiaries	Net assets of the subsidiaries represent more than 5% of those of the Group, or non-controlling interests of a single subsidiary represent more than 1% of net assets of the Group, with the amounts are more than RMB15,000,000;
Important investing activities	Amounts of a single investing activity represent more than 10% of the total cash inflows or outflows in relation to the investing activities received or paid, with the amounts are more than RMB20,000,000;
Significant joint ventures or associates	The book value of long-term equity investments in a single investee represents more than 5% of net assets of the Group, with the amounts are more than RMB20,000,000, or the investment profits/losses of long-term equity investments under equity method represent more than 10% of the consolidated net profit of the Group;
Significant subsidiaries	Net assets of the subsidiaries represent more than 5% of those of the Group, or net profit of the subsidiaries represent more than 10% of the consolidated net profit of the Group.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXXI) Significant accounting estimates and judgements

The Company continuously evaluates the significant accounting estimates and key judgements used based on historical experience and other factors, including reasonable expectations of future events.

1. *Estimation of variable consideration for revenue*

According to Note III. (XXIV), on each balance sheet date, the Company determines the best estimate of the variable consideration based on the amount cap to be paid by the patients determined in consultation with the relevant patients, and the fact that the actual treatment of the relevant patients in the past years exceeded such amount cap and the poverty situation of the relevant patients at the time of treatment. The amount of variable consideration included in the transaction price is limited to the extent that it is highly probable that a significant reversal of the cumulative revenue recognized will not occur when the uncertainties related to the variable consideration are eliminated.

2. *Estimation of goodwill impairment provision*

According to the accounting policies stated in Note III. (XVIII), the Company conducts an impairment test on goodwill annually. The recoverable amount of the asset group and sets of asset group containing goodwill is the present value of its estimated future cash flows, and its calculation requires the use of accounting estimates (see “Note V. (XV)”) for details.

If the management revises the EBIT margin or pre-tax discount rate used in the calculation of future cash flows of the asset group and sets of asset group, the revised EBIT margin is lower than the currently adopted gross profit margin, or the revised pre-tax discount rate is higher than the currently adopted discount rate, the Company is required to increase the provision for goodwill impairment. If the actual EBIT margin is higher than or the pre-tax discount rate is lower than the management’s estimation, the Company cannot reverse the goodwill impairment loss.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXXI) Significant accounting estimates and judgements (continued)

3. *Estimation of recognition of deferred tax assets*

The estimation of deferred income tax assets requires an estimation of the amount of taxable income and applicable tax rate in each future year, and the realization of deferred income tax assets depends on whether it is probable that the Company will receive sufficient taxable income in the future. Future changes in tax rates and the timing of the reversal of temporary differences may also affect the income tax expense (income) and the balance of deferred income tax. Changes of the above estimations may result in significant adjustments to deferred income tax.

4. *Measurement of fair value of financial liabilities held for trading*

In 2022, the Company disposed of the relevant equity interest in Hangzhou Yining Hospital Co., Ltd., the variable consideration included in transaction consideration was determined as financial liabilities held for trading and the related fair value was assessed using the income approach, with the key assumptions used during the forecast period mainly including:

Items	Evaluation Parameters in the current period
Average number of beds in operation (beds)	170
Average consumption per bed day for inpatients during the forecast period (yuan/day)	577
Average net profit margin on sales during the forecast period	10.85%
Capital expenditure (ten thousand yuan/year)	322
Discount rate	14.00%
Perpetual growth rate	2.48%

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXXII) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

- (1) Implementation of the provisions of “accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction” under the Interpretation No.16 of the Accounting Standards for Business Enterprises.

On November 30, 2022, the Ministry of Finance issued Interpretation No.16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”), pursuant to which, the provisions of “accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction” have come into effect on January 1, 2023.

Interpretation No. 16 stipulates that, where the exemption from the initial recognition of deferred income tax liabilities and deferred income tax assets does not apply to single transactions (including lease transactions in which the lessee initially recognizes a lease liability and includes in right-of-use assets at the commencement date of the lease term and single transactions such as those in which an estimated liability is recognized and included in the cost of the underlying asset due to the existence of an obligation to dispose of fixed assets) that is not a business combination and that affects neither the accounting profit nor taxable income (or deductible losses) at the time of its occurrence, and that results in the creation of an equivalent amount of taxable temporary differences and deductible temporary differences as a result of the initial recognition of the assets and liabilities, an enterprise shall recognize deferred income tax liabilities and deferred income tax assets, respectively, at the time of the occurrence of the transaction in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 18 – Income Taxes and other relevant regulations.

For a single transaction to which the provision is applicable that occurs between the beginning of the earliest period for the presentation of the financial statements to which the provisions are first applied and the date of implementation, and for the lease liabilities and right-of-use assets recognized as a result of the single transaction to which the provisions are applied at the beginning of the earliest period for the presentation of the financial statements, as well as for estimated liabilities associated with disposal obligations and corresponding underlying assets recognized, if taxable temporary differences and deductible temporary differences arise, the enterprise shall make adjustment in accordance with the provisions.

The Company has implemented this provision since January 1, 2023, and the implementation of this provision has no impact on the Company’s financial statements.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXXII) Changes in significant accounting policies and accounting estimates (continued)

2. Changes in significant accounting estimates

The significant accounting estimates of the Company were not changed during the Reporting Period.

IV. Taxation

(I) Major tax categories and tax rates

Tax categories	Tax basis	Tax rate
Value-added tax (“VAT”)	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	3%, 6%, 13%
City maintenance and construction tax	Based on VAT and consumption tax paid	7%
Educational surcharge	Based on VAT paid	5%
Enterprise income tax	Based on taxable profits	15%, 20%, 25%

Companies subject to different income tax rates are disclosed as follows

Taxpayer	Income tax rate
Wenzhou Kangning Hospital Co., Ltd.	15%
Zhejiang Jerinte Health Technology Co., Ltd.	15%
Yiwu Kangning Hospital Management Co., Ltd.	20%

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IV. Taxation (continued)

(II) Preferential tax treatment

1. Pursuant to the relevant requirements under the Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and its subsidiaries comply with the provisions of the Administrative Measures on Medical Institutions (Order of the State Council No. 149) issued by the State Council and the Implementation Measures of the Administrative Measures on Medical Institutions (Order of the Ministry of Health No. 35) issued by the Ministry of Health and the medical services provided by them are exempted from value-added tax upon the registration and obtaining the Medical Institution Practicing License (醫療機構執業許可證).
2. Pursuant to relevant tax regulations, during the Reporting Period, the revenue from judicial forensic services provided by the Wenzhou Kangning Judicial Forensic Centre, a subsidiary of the Company, shall be subject to VAT at the rate of 3%.
3. Pursuant to the Measures for the Implementation of the Pilot Plan for Levying VAT in Place of Business Tax under the Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, during the Reporting Period, the revenue from rendering of management and consultation services provided by the Company and its subsidiaries was subject to VAT at the rate of 6% or a levy rate of 3%.
4. On December 16, 2021, the Company obtained the Certificate of High and New Technology Enterprise (No. GR202133010023) issued by the Science and Technology Department of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company was subject to the reduced enterprise income tax rate of 15% from January 1, 2021 to December 31, 2023.
5. On December 8, 2023, Zhejiang Jerinte Health Technology Co., Ltd., a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (No. GR202333001809) issued by the Science and Technology Department of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company was subject to the reduced enterprise income tax rate of 15% from January 1, 2023 to December 31, 2025.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements

(I) Cash at bank and on hand

Items	Balance as at the end of the period	Balance as at the end of the previous year
Cash on hand	371,623.69	454,907.26
Cash at bank	416,980,298.98	257,534,338.59
Other cash balances	1,509,798.72	13,105,717.12
Total	418,861,721.39	271,094,962.97

(II) Financial assets held for trading

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial assets at fair value through profit or loss	7,350,298.53	10,641,026.00
Including: Investment in equity instruments	7,350,298.53	10,641,026.00
Total	7,350,298.53	10,641,026.00

(III) Accounts receivable

1. Aging disclosure of accounts receivable by date of entry

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	425,833,221.01	388,961,193.05
1 – 2 years	6,696,709.84	4,755,919.87
2 – 3 years	4,480,032.80	3,941,367.25
Over 3 years	7,780,009.57	5,180,894.08
Sub-total	444,789,973.22	402,839,374.25
Less: Provision for bad debts	24,348,903.66	20,002,683.36
Total	420,441,069.56	382,836,690.89

The aging analysis of the Company's accounts receivable is based on the month in which the payments actually occurred. The payments incurred first will be settled first when the funds are recovered.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

2. Accounts receivable disclosed by classification of provision for bad debts

Category	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Proportion		Proportion			Proportion		Proportion		
	Amount	(%)	Amount	(%)	Book value	Amount	(%)	Amount	(%)	Book value
Provision for bad debts on individual basis	19,507,030.88	4.39	12,854,582.28	65.90	6,652,448.60	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22
Including:										
Medical fees due from patients	19,507,030.88	4.39	12,854,582.28	65.90	6,652,448.60	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22
Provision for bad debts based on a combination of credit risk characteristics	425,282,942.34	95.61	11,494,321.38	2.70	413,788,620.96	384,617,398.37	95.48	7,488,540.70	1.95	377,128,857.67
Including:										
Overdue days grouping	425,282,942.34	95.61	11,494,321.38	2.70	413,788,620.96	384,617,398.37	95.48	7,488,540.70	1.95	377,128,857.67
Total	444,789,973.22	100.00	24,348,903.66	/	420,441,069.56	402,839,374.25	100.00	20,002,683.36	/	382,836,690.89

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

2. Accounts receivable disclosed by classification of provision for bad debts (continued)

Significant accounts receivable provided for bad debts on individual basis:

Items	Book balance	Balance as at the end of the period			Balance as at the end of the previous year	
		Provision for bad debts	Proportion of provision (%)	Reason for the provision	Book balance	Provision for bad debts
Medical fees due from patients	19,507,030.88	12,854,582.28	65.90	Provision for bad debts based on Lifetime ECL	18,221,975.88	12,514,142.66
Total	19,507,030.88	12,854,582.28	/ /		18,221,975.88	12,514,142.66

Description of provision for bad debts on individual basis: see Note III. (X)

Provision for bad debts based on a combination of credit risk characteristics:

Item with provision on grouping basis:

Items	Balance as at the end of the period		
	Accounts receivable	Provision for bad debt	Proportion of provision (%)
Overdue days grouping	425,282,942.34	11,494,321.38	2.70
Total	425,282,942.34	11,494,321.38	/

Confirmation criteria and description of provision for bad debts on the grouping basis: see Note III. (X)

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

3. Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year		Changes in the current period			Balance as at the end of the period
	Provided for		Recovered or reversed	Written-back or written-off	Other changes	
Provision for bad debts on individual basis	12,514,142.66	340,439.62				12,854,582.28
Provision for bad debts on grouping basis	7,488,540.70	6,979,825.51	147,368.76	4,708,185.93	1,881,509.86	11,494,321.38
Total	20,002,683.36	7,320,265.13	147,368.76	4,708,185.93	1,881,509.86	24,348,903.66

4. Accounts receivable written off in the current period

The Company wrote off a total of RMB4,708,185.93 in treatment receivables for a total of 948 patients in the current period.

(IV) Advances to suppliers

The aging analysis of advances to suppliers by their date of entry is as follows:

Aging	Balance as at the end of the period		Balance as at the end of the previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	9,048,941.18	92.05	29,973,748.69	93.08
1 – 2 years	742,811.80	7.56	2,127,484.58	6.61
2 – 3 years	6,000.00	0.06	56,690.70	0.18
Over 3 years	32,800.00	0.33	43,300.00	0.13
Total	9,830,552.98	100.00	32,201,223.97	100.00

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest receivable		
Dividends receivable		
Other receivables	69,705,728.98	37,195,219.68
Total	69,705,728.98	37,195,219.68

1. Other receivables

(1) Disclosed by aging

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	53,412,990.26	31,752,956.09
1 – 2 years	29,894,811.69	12,384,779.19
2 – 3 years	8,912,677.15	4,035,447.86
3 – 4 years	5,404,423.07	1,755,508.40
4 – 5 years	742,744.83	101,363.87
Over 5 years	3,885,239.68	3,877,306.68
Sub-total	102,252,886.68	53,907,362.09
Less: Provision for bad debts	32,547,157.70	16,712,142.41
Total	69,705,728.98	37,195,219.68

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

1. Other receivables (continued)

(2) Other receivables disclosed by classification of provision for bad debts

Category	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts										
on individual basis	37,404,736.41	36.58	30,697,494.28	82.07	6,707,242.13	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29
Including:										
Hangzhou Yining Hospital Co., Ltd.	23,709,977.64	23.19	17,002,735.51	71.71	6,707,242.13	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29
Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	9.98	10,204,311.69	100.00						
Wang Changsheng (汪長勝)	3,490,447.08	3.41	3,490,447.08	100.00						
Provision for bad debts based on a combination of credit risk characteristics	64,848,150.27	63.42	1,849,663.42	2.85	62,998,486.85	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39
Including:										
Portfolio of the nature and characteristics of the payments	64,848,150.27	63.42	1,849,663.42	2.85	62,998,486.85	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39
Total	102,252,886.68	100.00	32,547,157.70		69,705,728.98	53,907,362.09	100.00	16,712,142.41	/	37,195,219.68

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

1. Other receivables (continued)

(2) Other receivables disclosed by classification of provision for bad debts (continued)

Significant other receivables provided for bad debts on individual basis:

Name	Book balance	Balance as at the end of the period			Balance as at the end of the previous year	
		Provision for bad debts	Proportion of provision (%)	Reason for the provision	Book balance	Provision for bad debts
Hangzhou Yining Hospital Co., Ltd.	23,709,977.64	17,002,735.51	71.71	The allowance for losses is measured against expected credit loss in the whole duration	25,337,819.20	15,852,030.91
Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	10,204,311.69	100.00	Expected to be hard to recover		
Wang Changsheng (汪長勝)	3,490,447.08	3,490,447.08	100.00	Expected to be hard to recover		
Total	37,404,736.41	30,697,494.28	/ /		25,337,819.20	15,852,030.91

Description of provision for bad debts on the individual basis: Please refer to Note III. (X) for details

Provision for bad debts based on a combination of credit risk characteristics:

Item with provision on grouping basis:

Name	Balance as at the end of the period		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Portfolio of aging credit risk	64,848,150.27	1,849,663.42	2.85
Total	64,848,150.27	1,849,663.42	

Confirmation criteria and description of provision for bad debts on the grouping basis: Please refer to Note III. (X) for details

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

1. Other receivables (continued)

(3) Details of provision for bad debts

Provision for bad debts	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
Balance as at the end of the previous year	860,111.50		15,852,030.91	16,712,142.41
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision for the current period	1,031,134.58		1,150,704.60	2,181,839.18
Reversal in the current period				
Written back in the current period				
Written off in the current period	5,416.36			5,416.36
Other changes	-36,166.30		13,694,758.77	13,658,592.47
Balance as at the end of the period	1,849,663.42		30,697,494.28	32,547,157.70

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

1. Other receivables (continued)

(3) Details of provision for bad debts (continued)

Changes in book balance of other receivables:

Book balance	Stage I 12-month ECL	Stage II Lifetime ECL (not credit impaired)	Stage III Lifetime ECL (credit impaired)	Total
Balance as at the end of the previous year	28,569,542.89		25,337,819.20	53,907,362.09
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Addition for the current period	37,078,869.49		971,616.05	38,050,485.54
Derecognized in the current period			1,248,000.00	1,248,000.00
Other changes	-800,262.11		12,343,301.16	11,543,039.05
Balance as at the end of the period	64,848,150.27		37,404,736.41	102,252,886.68

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

1. Other receivables (continued)

(4) Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Provided for	Changes in the current period			Balance as at the end of the period
			Recovered or reversed	Written-back or written-off	Other changes	
Provision for bad debts on individual basis	15,852,030.91	1,150,704.60			13,694,758.77	30,697,494.28
Provision for bad debts on grouping basis	860,111.50	1,031,134.58		5,416.36	-36,166.30	1,849,663.42
Total	16,712,142.41	2,181,839.18		5,416.36	13,658,592.47	32,547,157.70

(5) Other receivables written off in the current period

Item	Amount written-off
Other receivables written off	5,416.36

(6) Other receivables by nature

Nature of receivables	Book balance as at the end of the period	Book balance as at the end of the previous year
Deposits and guarantee	22,266,761.49	20,677,631.31
Employee loans	19,150,000.00	
Placements	4,818,862.51	816,666.30
Advance payment	51,045.33	2,388,682.68
Amounts due from related parties	52,887,698.31	26,559,018.86
Others	3,078,519.04	3,465,362.94
Total	102,252,886.68	53,907,362.09

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(VI) Inventories

Category	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for decline in the value of inventories/ impairment provision for contract performance costs	Book value	Book balance	Provision for decline in the value of inventories/ impairment provision for contract performance costs	Book value
Turnover materials	1,616,778.62		1,616,778.62	3,697,607.74		3,697,607.74
Goods sold	4,571,610.82		4,571,610.82			
Commodity stocks	54,411,790.81		54,411,790.81	54,633,789.63		54,633,789.63
Total	60,600,180.25		60,600,180.25	58,331,397.37		58,331,397.37

(VII) Other current assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Input tax to be deducted	205,753.33	196,008.48
Prepaid corporate income tax	4,368.35	269,072.88
Prepaid expenses	647,898.71	287,243.41
Total	858,020.39	752,324.77

(VIII) Long-term receivables

Items	Balance as at the end of the period			Balance as at the end of the previous year			Discount rate range
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Receivables from equity transfers	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00	
Total	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00	

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(IX) Long-term equity investments

Investees	Balance as at the end of the previous year	Balance of the impairment provision as at the end of the previous year	Increase in investment	Decrease in investment	Increase/decrease in the current period					Balance as at the end of the period	Balance of the impairment provision as at the end of the period	
					Investment profit/loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Cash dividends declared and paid	Impairment provision			Others
Associates												
Hangzhou Anken Medical Technology Co., Ltd.	14,179,350.14				1,839,534.84						16,018,884.98	
Wenzhou Longwan Yiming Hospital Co., Ltd.	57,600,000.00				-758,567.14						56,841,432.86	
Zhejiang Huangfeng Hospital Management Co., Ltd.	21,103,642.67				457,965.00						21,561,607.67	
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	22,095,940.79				191,593.96						22,287,534.75	
Chongqing Hechuan Kangning Hospital Co., Ltd.	18,362,181.03				287,217.62						18,649,398.65	
Zhejiang Fengsheng Nutrition Technology Co., Ltd.			1,000,000.00		-286,871.86					-3,000,000.00	3,713,128.14	
Chengdu Jinniu Yiming Psychiatric Hospital Co., Ltd.	10,205,131.47				-6,844,693.73					3,360,437.74		
Hangzhou Yiming Hospital Co., Ltd. <i>(Note)</i>												
Total	143,546,246.10		1,000,000.00		-5,113,821.31					360,437.74	139,071,987.05	

Note: The net assets of Hangzhou Yiming have been negative, and the excess loss of RMB9,563,599.78 under the equity method of accounting has correspondingly reduced other receivables of the Company to Hangzhou Yiming.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(X) Other non-current financial assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial assets at fair value through profit or loss	65,099,055.34	63,116,852.05
Including: Investments in equity instruments	65,099,055.34	63,116,852.05
Total	65,099,055.34	63,116,852.05

(XI) Fixed assets

1. Fixed assets and disposal of fixed assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Fixed assets	794,856,342.94	695,020,440.79
Disposal of fixed assets		
Total	794,856,342.94	695,020,440.79

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XI) Fixed assets (continued)

2. Details of fixed assets

Items	Buildings and structure	Medical equipment	Motor vehicles	Electronic and other equipment	Fixed assets leased under sale-and-leaseback finance leases	Total
1. Original carrying values						
(1) Balance as at the end of the previous year	676,374,947.03	101,810,746.61	9,403,193.79	52,160,606.66	140,027,233.85	979,776,727.94
(2) Increase in the current period	195,718,841.12	10,866,219.40	5,902,231.48	16,448,669.68	34,697,620.46	263,633,582.14
- Purchase	2,036,817.88	8,667,259.40	2,204,051.48	5,268,564.54		18,176,693.30
- Transfer from construction in progress	122,269,732.57	552,000.00		2,110,580.20		124,932,312.77
- Increase from business combinations	1,141,300.00	1,646,960.00	3,698,180.00	9,069,524.94		15,555,964.94
Others	70,270,990.67				34,697,620.46	104,968,611.13
(3) Decrease in the current period	1,904,609.06	31,698,730.28	1,719,650.54	5,713,160.41	73,298,060.14	114,334,210.43
- Disposed or retired		2,904,729.20	719,596.08	2,678,854.55	3,027,069.47	9,330,249.30
Disposal of subsidiaries				35,350.00		35,350.00
Others	1,904,609.06	28,794,001.08	1,000,054.46	2,998,955.86	70,270,990.67	104,968,611.13
(4) Balance as at the end of the period	870,189,179.09	80,978,235.73	13,585,774.73	62,896,115.93	101,426,794.17	1,129,076,099.65
2. Accumulated depreciation						
(1) Balance as at the end of the previous year	107,334,791.37	68,567,186.58	4,981,299.30	37,252,025.00	66,620,984.90	284,756,287.15
(2) Increase in the current period	33,988,520.71	12,915,540.95	4,491,286.94	12,422,050.51	28,339,097.25	92,156,496.36
- Provision	22,486,199.72	11,889,219.04	1,193,305.19	6,843,786.81	4,832,397.88	47,244,908.64
- Increase from business combinations	970,105.00	834,545.68	3,297,981.75	5,461,060.49		10,563,692.92
Others	10,532,215.99	191,776.23		117,203.21	23,506,699.37	34,347,894.80
(3) Decrease in the current period	118,871.13	22,722,324.33	1,340,086.89	5,106,136.16	13,405,608.29	42,693,026.80
- Disposed or retired		2,022,606.41	817,000.41	2,622,802.81	2,873,392.30	8,335,801.93
Disposal of subsidiaries				9,330.07		9,330.07
Others	118,871.13	20,699,717.92	523,086.48	2,474,003.28	10,532,215.99	34,347,894.80
(4) Balance as at the end of the period	141,204,440.95	58,760,403.20	8,132,499.35	44,567,939.35	81,554,473.86	334,219,756.71

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XI) Fixed assets (continued)

2. Details of fixed assets (continued)

Items	Buildings and structure	Medical equipment	Motor vehicles	Electronic and other equipment	Fixed assets leased under sale-and-leaseback finance leases	Total
3. Impairment provision						
(1) Balance as at the end of the previous year						
(2) Increase in the current period						
(3) Decrease in the current period						
- Disposed or retired						
(4) Balance as at the end of the period						
4. Carrying amount						
(1) Carrying amount as at the end of the period	728,984,738.14	22,217,832.53	5,453,275.38	18,328,176.58	19,872,320.31	794,856,342.94
(2) Carrying amount as at the end of the previous year	569,040,155.66	33,243,560.03	4,421,894.49	14,908,581.66	73,406,248.95	695,020,440.79

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XII) Construction in progress

1. Construction in progress and construction material

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in progress	186,980,240.67		186,980,240.67	152,497,399.68		152,497,399.68
Total	186,980,240.67		186,980,240.67	152,497,399.68		152,497,399.68

2. Details of construction in progress

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Wenzhou Kangning Training Center and other projects				311,600.00		311,600.00
The construction project of Lucheng Yining Hospital	101,029,929.74		101,029,929.74	72,377,326.40		72,377,326.40
The renovation and expansion project of Linhai Cining Hospital	85,174,600.41		85,174,600.41	27,536,449.81		27,536,449.81
The renovation and expansion project of Quzhou Yining Hospital				16,073,697.42		16,073,697.42
The renovation and expansion project of Jinyun Shuning Hospital				35,508,167.99		35,508,167.99
Other minor decoration projects	775,710.52		775,710.52	690,158.06		690,158.06
Total	186,980,240.67		186,980,240.67	152,497,399.68		152,497,399.68

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XII) Construction in progress (continued)

3. Movements in important construction in progress for the current period

Project name	Budget (RMB'0,000)	Balance as at the end of the previous year	Increase in the current period	Transfer to fixed assets in the current period	Other decrease in the current period	Balance as at the end of the period	Cumulative investment in the construction project as a percentage of the budget (%)	Progress of Construction (%)	Accumulated amount of capitalised interest	Including: Interest capitalised in the current period	Capitalisation rate of interest in the current period (%)	Source of fund
The decoration project of Lucheng Yining Hospital	27,473.00	72,461,185.77	28,568,743.97			101,029,929.74	36.77	36.77	4,201,873.42	2,318,394.25	4.27	Own funds, bank loan
The renovation and expansion project of Linhai Cining Hospital	16,020.00	27,536,449.81	57,638,150.60			85,174,600.41	53.17	53.17	828,894.06	783,197.20	4.30	Own funds, bank loan
The renovation and expansion project of Qizhou Yining Hospital	9,847.94	16,073,697.42	57,613,725.69	73,687,423.11			74.82	100.00				Own funds, bank loan
The renovation and expansion project of Jinyun Shuming Hospital	5,574.00	35,508,167.99	14,228,676.27	49,736,844.26			89.23	100.00	596,875.00	596,875.00	4.50	Own funds, bank loan
Total	/	151,579,500.99	158,049,296.53	123,424,267.37		186,204,530.15	/	/	5,627,642.48	3,698,466.45		

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XIII) Right-of-use assets

Items	Buildings and structure	Total
1. Original carrying values		
(1) Balance as at the end of the previous year	318,648,155.90	318,648,155.90
(2) Increase in the current period	44,432,773.50	44,432,773.50
– New leases	44,432,773.50	44,432,773.50
(3) Decrease in the current period	61,675,817.67	61,675,817.67
– Disposal	61,455,332.71	61,455,332.71
– Disposal of subsidiaries	220,484.96	220,484.96
(4) Balance as at the end of the period	301,405,111.73	301,405,111.73
2. Accumulated depreciation		
(1) Balance as at the end of the previous year	128,244,404.32	128,244,404.32
(2) Increase in the current period	39,220,377.62	39,220,377.62
– Provision	39,220,377.62	39,220,377.62
(3) Decrease in the current period	55,114,176.89	55,114,176.89
– Disposal	54,976,373.80	54,976,373.80
– Disposal of subsidiaries	137,803.09	137,803.09
(4) Balance as at the end of the period	112,350,605.05	112,350,605.05
3. Impairment provision		
(1) Balance as at the end of the previous year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Balance as at the end of the period		
4. Carrying amount		
(1) Carrying amount as at the end of the period	189,054,506.68	189,054,506.68
(2) Carrying amount as at the end of the previous year	190,403,751.58	190,403,751.58

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XIV) Intangible assets

Items	Land use rights	Trademark rights	Software	Medical practice qualifications	Contractual rights to provide management service	Total
1. Original carrying values						
(1) Balance as at the end of the previous year	128,594,176.05	3,061,637.13	9,677,612.80	158,837,000.00	32,400,000.00	332,570,425.98
(2) Increase in the current period	26,368,000.00		6,937,606.07	58,000,000.00		91,305,606.07
– Purchase	26,368,000.00		6,481,818.51			32,849,818.51
– Increase from business combinations			455,787.56	58,000,000.00		58,455,787.56
(3) Decrease in the current period			400,000.00			400,000.00
– Disposal			400,000.00			400,000.00
(4) Balance as at the end of the period	154,962,176.05	3,061,637.13	16,215,218.87	216,837,000.00	32,400,000.00	423,476,032.05
2. Accumulated amortisation						
(1) Balance as at the end of the previous year	16,999,461.07	690,585.66	6,255,014.04	45,087,445.28	8,853,571.43	77,886,077.48
(2) Increase in the current period	3,300,780.99	387,069.23	2,252,847.24	17,884,694.81	1,842,857.14	25,668,249.41
– Provision	3,300,780.99	387,069.23	2,076,655.65	17,884,694.81	1,842,857.14	25,492,057.82
– Increase from business combinations			176,191.59			176,191.59
(3) Decrease in the current period			400,000.00			400,000.00
– Disposal			400,000.00			400,000.00
(4) Balance as at the end of the period	20,300,242.06	1,077,654.89	8,107,861.28	62,972,140.09	10,696,428.57	103,154,326.89
3. Impairment provision						
(1) Balance as at the end of the previous year						
(2) Increase in the current period						
(3) Decrease in the current period						
(4) Balance as at the end of the period						
4. Carrying amount						
(1) Carrying amount as at the end of the period	134,661,933.99	1,983,982.24	8,107,357.59	153,864,859.91	21,703,571.43	320,321,705.16
(2) Carrying amount as at the end of the previous year	111,594,714.98	2,371,051.47	3,422,598.76	113,749,554.72	23,546,428.57	254,684,348.50

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill

1. Changes in goodwill

Name of the investees or events generating goodwill	Balance as at the end of the previous year	Increase in the current period		Decrease in the current period		Balance as at the end of the period
		Arising from business combinations	Others	Disposal	Others	
Original carrying amount						
Nanjing Yining Hospital Co., Ltd.	9,271,800.00					9,271,800.00
Heze Yining Psychiatric Hospital Co., Ltd.	690,331.47					690,331.47
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	7,784,850.00					7,784,850.00
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Wenzhou Yixin Health Technology Co., Ltd.	151,048.40					151,048.40
Huainan Kangning Hospital Co., Ltd.	5,068,959.78					5,068,959.78
Changchun Kanglin Psychological Hospital Co., Ltd.	6,843,288.91					6,843,288.91
Wenzhou Cining Hospital Co., Ltd.	19,416,285.97					19,416,285.97
Pingyang Changgeng Yining Hospital Co., Ltd.	51,770,194.67					51,770,194.67
Hangzhou Yining Nursery Service Co., Ltd.	1,272,643.00					1,272,643.00
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	326,012.44			326,012.44		
Jinyun Shuning Hospital Co., Ltd.	5,060,323.85					5,060,323.85
Loudi City Kangle Kangning Hospital Co., Ltd.		283,528.10				283,528.10
Dongkou Lening Hospital Co., Ltd.		2,502,854.13				2,502,854.13
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.		9,564,442.65				9,564,442.65
Wenzhou Anken Pharmacy Co., Ltd.		228,538.31				228,538.31
Sub-total	132,192,091.91	12,579,363.19		326,012.44		144,445,442.66
Impairment provision						
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Sub-total	24,536,353.42					24,536,353.42
Carrying amount	107,655,738.49	12,579,363.19		326,012.44		119,909,089.24

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill (continued)

2. *Information about the asset groups or the composition of the groups of asset groups and the operating segment to which the goodwill belongs*

Unit: RMB'0,000

Name of goodwill asset groups or groups of asset groups	Carrying amount as at the end of the period
Nanjing Yining Hospital Co., Ltd.	1,531.69
Heze Yining Psychiatric Hospital Co., Ltd.	1,855.94
Guanxian Yining Hospital Co., Ltd.	1,001.27
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	862.51
Beijing Yining Hospital Co., Ltd.	4,444.46
Wenzhou Yixin Health Technology Co., Ltd.	16.16
Huainan Kangning Hospital Co., Ltd.	646.76
Changchun Kanglin Psychological Hospital Co., Ltd.	1,370.56
Wenzhou Cining Hospital Co., Ltd.	4,167.17
Pingyang Changgeng Yining Hospital Co., Ltd.	12,983.33
Hangzhou Yining Nursery Service Co., Ltd.	195.66
Jinyun Shuning Hospital Co., Ltd.	7,016.80
Loudi City Kangle Kangning Hospital Co., Ltd.	2,625.28
Dongkou Lening Hospital Co., Ltd.	2,293.40
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	2,962.23
Wenzhou Anken Pharmacy Co., Ltd.	3.28
Total	43,976.50

In conducting the impairment test of goodwill, the Company compares the carrying amount of the related asset groups or groups of asset groups (including goodwill) with the recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be recognised in profit or loss for the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill (continued)

3. Process of goodwill impairment test, key parameters and the recognition method of goodwill impairment loss

Asset groups or groups of asset groups	Key parameters of goodwill impairment test				
	Average number of beds occupied in operation	Average in-patient spending per day per bed (bed/day/yuan)	Perpetuity growth rate	Net profit margin on sales	Pre-tax discount rate
Nanjing Yining Hospital Co., Ltd.	195	355	2.50%	23.35%	17.57%
Heze Yining Psychiatric Hospital Co., Ltd.	290	273	2.50%	13.18%	17.16%
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	318	271	2.50%	17.84%	18.15%
Huainan Kangning Hospital Co., Ltd.	201	189	2.50%	18.57%	18.02%
Changchun Kanglin Psychological Hospital Co., Ltd.	347	172	2.50%	9.68%	16.57%
Wenzhou Cining Hospital Co., Ltd.	365	565	2.50%	13.81%	17.28%
Pingyang Changgeng Yining Hospital Co., Ltd.	490	483	2.50%	8.64%	16.88%
Hangzhou Yining Nursery Service Co., Ltd.	72	112	2.50%	21.98%	17.60%
Jinyun Shuning Hospital Co., Ltd.	362	272	2.50%	16.84%	16.97%
Loudi City Kangle Kangning Hospital Co., Ltd.	383	148	2.50%	18.17%	18.67%
Dongkou Lening Hospital Co., Ltd.	287	140	2.50%	11.29%	15.71%
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	304	214	2.50%	14.77%	18.67%

During the impairment test, the Company determines the growth rate and gross profit rate based on forecasts of market development based on historical experience, and uses the after-tax interest rate that reflects the specific risks of the relevant asset groups and groups of asset groups as the discount rate, the perpetuity growth rate is the weighted-average growth rate adopted by the Company to forecast cash flows after the five-year budget period, and the present value of estimated future cash flows to determine the recoverable amount. The recoverable amounts of the asset groups and groups of asset groups related to goodwill held by the Company during the period were higher than their carrying amounts, and therefore no provision for impairment of goodwill was required.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XVI) Long-term prepaid expenses

Items	Balance as at the end of the previous year	Increase in the current period	Amortisation in the current period	Other decrease	Balance as at the end of the period
Renovation expenses	189,414,067.93	32,654,152.27	45,707,387.93	654,803.00	175,706,029.27
Lease expenses	172,270.94	85,581.62	79,559.63		178,292.93
Others		78,637.15	52,333.21		26,303.94
Total	189,586,338.87	32,818,371.04	45,839,280.77	654,803.00	175,910,626.14

(XVII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets before offsetting

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for assets impairment	25,318,013.56	5,221,670.24	16,979,155.87	3,164,380.59
Unrealized profit from internal transaction	3,073,067.80	3,073,067.80		
Deductible losses	126,627,704.89	26,623,506.01	50,169,236.15	8,217,114.53
Lease liabilities	181,046,756.88	45,261,689.23	4,390,510.38	1,097,627.60
Share-based payment	54,688,502.33	8,203,275.35	54,688,502.33	8,203,275.35
Total	390,754,045.46	88,383,208.63	126,227,404.73	20,682,398.07

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XVII) Deferred tax assets and deferred tax liabilities (continued)

2. Deferred tax liabilities before offsetting

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation of assets revalued in business combination involving enterprise not under common control	175,124,829.41	43,659,778.78	148,564,631.76	37,141,157.94
Changes in fair value of other non-current financial assets	15,099,055.33	2,264,858.30	13,116,852.07	1,967,527.81
One-off deduction for fixed assets	1,565,553.59	306,641.27	6,620,111.12	1,439,193.06
Right-of-use assets	177,246,863.48	44,311,715.89		
Total	369,036,301.81	90,542,994.24	168,301,594.95	40,547,878.81

3. Deferred tax assets or liabilities presented on a net basis after offsetting

Items	As at the end of the period		As at the end of the previous year	
	Offset amount of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after offsetting	Offset amount of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	43,236,938.03	45,146,270.60		20,682,398.07
Deferred tax liabilities	43,236,938.03	47,306,056.21		40,547,878.81

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XVIII) Other non-current assets

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Prepayments for equity investments	6,034,588.26		6,034,588.26	6,936,000.00		6,936,000.00
Prepayments for building and equipment	3,654,622.68		3,654,622.68	6,605,047.21		6,605,047.21
Total	9,689,210.94		9,689,210.94	13,541,047.21		13,541,047.21

(XIX) Assets with restricted ownership or right-of-use

Items	As at the end of the period				As at the end of the previous year		
	Book balance	Carrying amount	Types for restriction	Case for restriction	Book balance	Carrying amount	Types for restriction
Cash at bank and on hand	772,510.54	772,510.54	Freezing	Bank acceptance deposit	498,972.00	498,972.00	Bank acceptance deposit
	12,000,000.00	12,000,000.00	Freezing	Performance bond	12,000,000.00	12,000,000.00	Performance bond
	1,361,750.73	1,361,750.73	Freezing	Foreign Exchange Control Account			
	2,120.75	2,120.75	Freezing	Litigation			
	2,000.00	2,000.00	Freezing	Others			
Long-term equity investments	208,244,700.00	208,244,700.00	Pledge	Pledged loans	208,244,700.00	208,244,700.00	Pledged loans
Fixed assets	101,426,794.17	19,872,320.31	Mortgage	Sale and leaseback	140,027,233.85	73,406,248.95	Sale and leaseback
	161,856,152.45	156,403,844.80	Mortgage	Secured borrowings	39,541,667.68	35,612,151.67	Mortgage
Intangible assets	59,523,538.00	52,511,079.33	Mortgage	Secured borrowings	37,268,873.00	6,107,838.02	Mortgage
Total	545,189,566.64	451,170,326.46	/	/	437,581,446.53	335,869,910.64	/

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XX) Short-term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year
Secured borrowings	125,000,000.00	195,000,000.00
Guaranteed borrowings	2,001,700.00	8,000,000.00
Total	127,001,700.00	203,000,000.00

(XXI) Financial liabilities held for trading

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial liabilities held for trading	12,400,000.00	13,922,929.38
Total	12,400,000.00	13,922,929.38

(XXII) Notes payable

Type	Balance as at the end of the period	Balance as at the end of the previous year
Bank acceptance bills	1,545,021.09	997,944.00
Total	1,545,021.09	997,944.00

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXIII) Accounts payable

The aging analysis of accounts payable by their date of entry is as follows:

Items	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	107,790,034.53	84,193,738.77
1-2 years	1,815,169.24	1,161,389.02
2-3 years	85,740.32	71,968.47
Over 3 years	369,063.58	345,965.27
Total	110,060,007.67	85,773,061.53

(XXIV) Receipts in advance

Items	Balance as at the end of the period	Balance as at the end of the previous year
Advances from goods and medical	26,563,603.06	29,436,207.46
Rental in advance		458,629.04
Total	26,563,603.06	29,894,836.50

(XXV) Employee benefits payable

1. List of employee benefits payable

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Short-term employee benefits	68,138,710.58	572,161,593.20	560,260,841.94	80,039,461.84
Post-employment benefits – defined contribution plans	2,419,639.13	35,220,633.76	33,355,728.33	4,284,544.56
Total	70,558,349.71	607,382,226.96	593,616,570.27	84,324,006.40

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXV) Employee benefits payable (continued)

2. List of short-term employee benefits

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
(1) Wages and salaries, bonus, allowances and subsidies	66,161,148.57	508,986,618.92	497,222,552.01	77,925,215.48
(2) Staff welfare	307,382.14	19,253,285.16	19,291,778.02	268,889.28
(3) Social insurance contributions	1,464,184.43	20,853,364.15	20,677,795.94	1,639,752.64
Including: Medical insurance	1,425,747.59	20,086,559.81	19,960,834.04	1,551,473.36
Work injury insurance	37,301.70	728,087.84	677,820.76	87,568.78
Maternity insurance	424.64	38,716.50	39,141.14	
Others	710.50			710.50
(4) Housing funds	205,995.44	22,668,929.00	22,669,320.00	205,604.44
(5) Labour union funds and employee education funds		399,395.97	399,395.97	
Total	68,138,710.58	572,161,593.20	560,260,841.94	80,039,461.84

3. List of defined contribution plans

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Basic pensions	2,347,144.91	34,089,272.48	32,293,925.40	4,142,491.99
Unemployment insurance premiums	72,494.22	1,131,361.28	1,061,802.93	142,052.57
Total	2,419,639.13	35,220,633.76	33,355,728.33	4,284,544.56

In accordance with PRC regulations, the Group participates in a statutory defined contribution pension plan (basic pension insurance) organized by the local government for its employees and is required to make contributions based on the employees' salaries at a certain percentage in accordance with the local government policies and regulations, and the contributions cannot be used to offset contributions that the Group should make for its employees in future periods.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVI) Taxes payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
VAT	3,056,261.74	2,399,813.52
Enterprise income tax	30,600,774.99	26,859,279.46
Individual income tax	1,148,089.23	1,260,918.02
City maintenance and construction tax	134,739.29	163,205.29
Property tax	2,960,159.04	2,292,516.47
Educational surcharge	96,590.18	116,587.33
Land use tax	523,438.18	387,329.69
Stamp tax	31,053.22	25,663.04
Environmental protection tax	1,869.00	1,696.00
Water construction funds	771.60	155.34
Total	38,553,746.47	33,507,164.16

(XXVII) Other payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest payable	35,313.43	577,043.05
Dividend payable	624,000.00	735,000.00
Other payables	149,611,261.72	70,881,686.82
Total	150,270,575.15	72,193,729.87

1. Interest payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest on long-term borrowings with interest payments by installment and principal payments at due	35,313.43	577,043.05
Total	35,313.43	577,043.05

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVII) Other payables (continued)

2. Dividend payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Dividends payable-minority shareholders of subsidiaries	624,000.00	735,000.00
Total	624,000.00	735,000.00

3. Other payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Payables for long-term assets acquisition	62,637,634.31	25,932,146.03
Payables for equity acquisition	1,313,457.77	7,000,000.00
Withholding expenses	6,766,360.73	3,682,272.62
Deposits and guarantee	1,663,762.95	1,900,552.80
Current accounts	38,542,529.94	17,695,375.57
Placements	9,845,641.28	4,374,261.21
Amounts from related parties within the group	28,481,495.22	3,673,024.53
Others	360,379.52	6,624,054.06
Total	149,611,261.72	70,881,686.82

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVIII) Non-current liabilities due within one year

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term borrowings due within one year	180,020,000.00	22,470,000.00
Long-term payables due within one year	41,747,868.00	99,580,000.00
Lease liabilities due within one year	28,643,888.99	25,548,324.39
Total	250,411,756.99	147,598,324.39

(XXIX) Long-term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year
Pledged loans	212,842,127.25	186,000,000.00
Guaranteed borrowings	252,010,000.00	227,480,000.00
Secured borrowings	272,887,087.44	
Less: Long-term borrowings due within one year	180,020,000.00	22,470,000.00
Total	557,719,214.69	391,010,000.00

(XXX) Lease liabilities

Items	Balance as at the end of the period	Balance as at the end of the previous year
Lease liabilities	163,239,532.76	171,437,740.27
Total	163,239,532.76	171,437,740.27

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXI) Long-term payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term payables	61,351,340.53	42,404,938.54
Special payable		
Total	61,351,340.53	42,404,938.54

Of which: long-term payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Accrued financial lease outlay	103,099,208.53	141,984,938.54
Including: Unrealized financing expenses	15,109,210.13	9,382,772.07
Less: Long-term payables due within one year	41,747,868.00	99,580,000.00
Total	61,351,340.53	42,404,938.54

(XXXII) Deferred income

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period	Reasons
Government grants	9,037,891.00		303,792.00	8,734,099.00	Amortization has not yet been completed
Total	9,037,891.00		303,792.00	8,734,099.00	

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXIII) Share capital

Items	Balance as at the end of the previous year	Increases (+)/decreases (-) in the current period					Sub-total	Balance as at the end of the period
		Issuance of new shares	Bonus issue	Conversion from reserves	Others			
Total shares	74,600,300.00						74,600,300.00	

(XXXIV) Capital surplus

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Stock premium	783,420,735.87		2,382,931.61	781,037,804.26
Other capital surplus				
– Share-based payment	44,857,374.20			44,857,374.20
– Other capital surplus	26,800,423.23			26,800,423.23
Total	855,078,533.30		2,382,931.61	852,695,601.69

Other explanations, including increases and decreases and reasons in the current period:

The decrease in stock premium in capital surplus was due to the elimination of stock premium in capital surplus of RMB2,382,931.61 as a result of the Company purchased minority interests in certain subsidiaries, and the difference between the equity consideration and the share of net assets of the subsidiaries calculated on the basis of the newly increased percentage of shareholding in the subsidiaries calculated on an ongoing basis from the date of purchase, see Note VII. (ii) for details.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXV) Treasury stock

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Shares of the Company acquired for the employee share ownership plans or share incentive		12,587,011.74		12,587,011.74
Total		12,587,011.74		12,587,011.74

Other explanations:

The Company has formulated the H Share Award and Trust Scheme, which was considered and approved at the First Extraordinary General Meeting for the year 2023 held on September 27, 2023. Pursuant to the H Share Award and Trust Scheme, the Company entered into a trust deed with a trustee to establish a trust for the purpose of servicing the H Share Award and Trust Scheme. 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, purchase the Company's H Shares through on-market transactions. As of December 31, 2023, the Company has purchased 1,045,200 shares at a purchase cost of RMB12,587,011.74.

(XXXVI) Surplus reserve

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Statutory surplus reserve	38,399,577.13			38,399,577.13
Total	38,399,577.13			38,399,577.13

Other explanations:

In accordance with the Company Law of the People's Republic of China, the Company shall appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the paid-in capital upon approval.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXVII) Retained earnings

Items	Amount for the current period	Amount for the previous period
Retained earnings before adjustment at the end of previous year	233,506,534.43	257,098,624.31
Adjustment to the retained earnings in total at the beginning of the year (increase +, decrease -)		
Retained earnings after adjustment at the beginning of the year	233,506,534.43	257,098,624.31
Add: Net profit attributable to owners of the parent company of the current period	85,947,806.64	-24,220,782.31
Less: Appropriation to statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares	7,498,111.91	
Dividend on ordinary share converted to share capital		
Others		-628,692.43
Retained earnings at the end of the period	311,956,229.16	233,506,534.43

As at July 31, 2023, the Board of Directors recommended the declaration of interim dividend of RMB7,460,030 (inclusive of tax) for the six months ended June 30, 2023, which was calculated on the basis of 74,600,300 Shares of the Company in issue as of June 30, 2023, and the proposed declaration of dividend was approved at the Company's First Extraordinary General Meeting for the year 2023 held on September 27, 2023.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXVIII) Revenue and cost of sales

1. Analysis of revenue and cost of sales

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	1,485,160,594.55	1,107,920,076.52	1,366,816,938.51	1,040,114,649.97
Other businesses	111,104,937.58	77,209,878.26	118,086,103.74	91,857,292.80
Total	1,596,265,532.13	1,185,129,954.78	1,484,903,042.25	1,131,971,942.77

Breakdown of revenue:

Items	Amount for the current period	Amount for the previous period
Revenue from main businesses	1,485,160,594.55	1,366,816,938.51
Treatments and healthcare services	1,485,160,594.55	1,366,816,938.51
Revenue from other businesses	111,104,937.58	118,086,103.74
Wholesale and retail revenue of pharmaceutical and equipment	64,381,373.94	85,464,736.39
Management service	2,970,297.01	3,000,000.00
Rental income	5,348,551.23	8,067,969.32
Others	38,404,715.40	21,553,398.03
Total	1,596,265,532.13	1,484,903,042.25

2. Description of performance obligations

Item	Time for fulfilment of obligations	Significant payment terms	Nature of the Company's transfer of the promised goods	Whether the Company is acting as principal	Amounts assumed by the Company that are expected to be refunded to customers	Types of quality assurance provided by the Company and relevant obligations
Treatments and healthcare services	At a point in time as services are rendered	Medical insurance settlement	Diagnosis, healthcare services	Yes	None	None

The performance obligation of treatments and healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXIX) Taxes and surcharges

Items	Amount for the current period	Amount for the previous period
Property tax	3,840,629.56	2,582,375.14
City maintenance and construction tax	999,802.54	860,190.44
Educational surcharge	715,238.61	614,023.37
Land use tax	591,575.87	511,669.95
Stamp tax	236,151.41	243,303.00
Others	91,506.43	148,723.89
Total	6,474,904.42	4,960,285.79

(XL) Selling and distribution expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	9,997,218.22	8,059,173.39
Depreciation expenses	187,939.95	178,673.67
Amortisation of intangible assets	45,063.22	45,027.48
Amortisation of long-term prepaid expenses	310,251.33	282,111.17
Entertainment expenses	557,306.00	1,465,925.95
Office expenses	454,630.25	215,653.95
Travelling expenses	380,695.34	297,081.62
Outsourcing expenses	299,196.27	21,272.50
Promotion expenses	4,499,117.73	3,526,992.98
Repair and maintenance expenses	26,633.57	118,657.20
Others	211,141.96	93,931.48
Consulting service fees	133,161.25	699,526.34
Total	17,102,355.09	15,004,027.73

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XII) General and administrative expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	117,426,249.41	106,839,736.87
Consulting service fees	14,340,685.87	22,821,067.41
Depreciation expenses	16,053,053.39	12,364,390.29
Repair and maintenance expenses	11,808,114.41	7,928,268.21
Amortisation of long-term prepaid expenses	9,295,943.53	7,169,511.48
Auditors' remuneration	5,512,000.00	6,366,300.00
Office expenses	5,352,023.47	5,452,608.66
Amortisation of intangible assets	3,751,610.40	5,226,706.30
Entertainment expenses	5,412,016.04	4,539,506.45
Equity incentives		4,412,652.14
Travelling expenses	4,724,842.42	4,358,637.42
Property management expenses	4,210,351.64	2,798,524.34
Housing lease expenses	2,276,807.42	2,653,266.15
Canteen expenditure	336,383.83	2,527,587.52
Pharmaceutical and medical consumables used	2,862,423.39	2,521,353.37
Outsourcing expenses	2,356,838.11	2,099,610.09
Utilities	1,038,793.97	1,889,937.19
Others	6,267,569.84	3,917,508.51
Total	213,025,707.14	205,887,172.40

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XII) Research and development expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	30,617,367.73	29,575,455.47
Outsourcing expenses	418,828.66	1,164,368.95
Depreciation expenses	624,385.94	550,065.23
Pharmaceutical and medical consumables used	152,451.48	400,114.92
Amortisation of long-term prepaid expenses		76,467.92
Testing fee	18,963.20	68,877.00
Conference expenses	47,787.71	58,690.00
Training expenses	21,880.00	30,200.00
Travelling expenses	7,034.07	19,682.96
Utilities	6,591.50	11,090.48
Consulting service fees	13,781.04	3,000.00
Others	537,124.82	1,069,974.86
Total	32,466,196.15	33,027,987.79

(XIII) Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	39,936,115.20	45,149,998.30
Including: Interest expenses on lease liabilities	9,189,724.07	11,935,506.62
Less: Interest income	5,265,571.27	2,761,765.05
Foreign exchange gains and losses	-4,325.27	-78,462.87
Fees	1,091,522.53	820,008.22
Unrecognized financing losses	5,694,269.99	1,179,938.54
Total	41,452,011.18	44,309,717.14

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIV) Other income

Items	Amount for the current period	Amount for the previous period
Government grants	15,747,206.89	14,602,195.91
Additional input VAT credit	37,292.41	37,171.75
Fees for withholding individual income tax	192,215.93	162,213.15
Others		106,130.00
Total	15,976,715.23	14,907,710.81

(XLV) Investment income

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments under the equity method	-6,465,278.89	-15,926,847.45
Investment income from disposal of long-term equity investments	697,750.03	18,062,957.54
Investment income from financial assets held for trading during the holding period		714,348.18
Investment income from disposal of financial liabilities held for trading	-299,668.37	
Total	-6,067,197.23	2,850,458.27

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLVI) Gains from changes in fair value

Source of gains from changes in fair value	Amount for the current period	Amount for the previous period
Financial assets held for trading	-3,290,727.47	-2,054,396.53
Financial liabilities held for trading	1,522,929.38	-13,922,929.38
Other non-current financial assets	1,982,203.29	
Total	214,405.20	-15,977,325.91

(XLVII) Credit impairment losses

Items	Amount for the current period	Amount for the previous period
Losses on bad debts of accounts receivable	7,172,896.37	11,260,563.08
Losses on bad debts of other receivables	2,181,839.18	13,930,978.11
Total	9,354,735.55	25,191,541.19

(XLVIII) Assets impairment losses

Items	Amount for the current period	Amount for the previous period
Goodwill impairment losses		10,345,460.56
Total		10,345,460.56

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIX) Gains from disposal of assets

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from disposal of non-current assets (losses represented with “-” signs)	68,088.99	406,184.95	68,088.99
Including: Gains from disposal of fixed assets (losses represented with “-” signs)	68,088.99	406,184.95	68,088.99
Total	68,088.99	406,184.95	68,088.99

(L) Non-operating income

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from damaging and scrapping of non-current assets	32,855.87	12,737.42	32,855.87
Including: Fixed assets	32,855.87	12,737.42	32,855.87
Donations received	5,974,990.37	7,435,774.26	5,974,990.37
Government grants not relating to daily activities of enterprises	566,120.96	55,075.00	566,120.96
Gains from counts	129,185.58	60.10	129,185.58
Penalty income	1,000.00	35,711.51	1,000.00
Liquidated damages income	1,754,952.00		1,754,952.00
Various reward income		12,000.00	
Unpayable payments	162,522.85	15,000.00	162,522.85
Others	923,818.53	987,619.57	923,818.53
Total	9,545,446.16	8,553,977.86	9,545,446.16

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(II) Non-operating expenses

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Losses on damaging and scrapping of non-current assets	291,184.61	1,587,610.46	291,184.61
Including: Fixed assets	291,184.61	1,587,610.46	291,184.61
Expenses of donation to charities	4,494,074.74	3,927,631.03	4,494,074.74
Abnormal losses	264,009.83	521,375.57	264,009.83
Losses from counts	41,926.44	99,809.90	41,926.44
Penalty	2,183,827.02	267,628.43	2,183,827.02
Liquidated damages expenses	4,111,097.80	1,754,450.54	4,111,097.80
Others	429,388.42	1,182,532.80	429,388.42
Total	11,815,508.86	9,341,038.73	11,815,508.86

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Income tax expenses

1. Table of income tax expenses

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	36,259,411.49	40,192,565.61
Deferred income tax expenses	-24,009,402.00	-13,618,853.12
Total	12,250,009.49	26,573,712.49

2. Reconciliation between total profit and income tax expenses

Items	Amount for the current period
Total profit	99,181,617.31
Income tax expenses calculated at the statutory or applicable tax rates	19,960,640.29
Impact of different tax rates applicable to subsidiaries	-223,220.20
Adjustment to impact of income tax of past periods	-189,327.02
Impact of non-taxable income	3,879,078.25
Impact of non-deductible costs, expenses and losses	2,133,261.90
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-18,633,562.39
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized for the year	13,333,667.32
Change in the opening balance of deferred income tax assets/liabilities due to tax rate adjustment	-308,901.76
The impact of income tax credit	-1,060,211.30
Impact of additional deduction of research and development expenses	-4,674,286.57
Impact of business combination involving enterprise not under common control	-1,945,479.57
Others	-21,649.46
Income tax expenses	12,250,009.49

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIII) Earnings per share

1. Basic earnings per share

Basic earnings per share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company divided by the weighted average number of outstanding ordinary shares of the Company:

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company	85,947,806.64	-24,220,782.31
Weighted average number of outstanding ordinary shares of the Company	74,600,300.00	74,600,300.00
Basic earnings per share	1.15	-0.32
Including: Basic earnings per share from continuing operations	1.15	-0.32

2. Diluted earnings per share

Diluted earnings 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):

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company (diluted)	85,947,806.64	-24,220,782.31
Weighted average number of outstanding ordinary shares of the Company (diluted)	74,600,300.00	74,600,300.00
Diluted earnings per share	1.15	-0.32
Including: Diluted earnings per share from continuing operations	1.15	-0.32

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIV) Items in the cash flow statement

1. Cash relating to operating activities

(1) Cash received relating to other operating activities

Items	Amount for the current period	Amount for the previous period
Recovery of current accounts and advances	14,853,235.92	40,253,328.59
Government grants income	16,214,614.27	14,633,117.41
Leasing income	5,348,551.23	8,067,969.32
Donation income	8,222,606.16	10,116,855.54
Interest income	3,014,649.40	12,751,158.99
Non-operating income	2,808,105.11	1,035,391.18
Restricted cash at bank and on hand received		14,000,000.00
Receipts and expenditures of special funds	164,796,135.37	
Total	215,257,897.46	100,857,821.03

(2) Cash paid relating to other operating activities

Items	Amount for the current period	Amount for the previous period
Inter-enterprise transactions	67,255,904.20	30,632,892.49
Cost expenditure	80,394,069.79	82,155,141.49
Donation expenses	6,741,690.53	6,608,712.31
Non-operating expenses	3,747,445.03	2,927,440.32
Financial expenses – others	1,111,874.54	1,082,364.51
Restricted cash at bank and on hand paid	1,635,289.27	12,498,972.00
Operating lease expenses	10,320,319.28	
Receipts and expenditures of special funds	165,915,458.06	
Total	337,122,050.70	135,905,523.12

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIV) Items in the cash flow statement (continued)

2. Cash relating to investing activities

(1) Cash received relating to other investing activities

Items	Amount for the current period	Amount for the previous period
Inter-enterprise loans	276,383.95	
Interest income	971,616.05	
Total	1,248,000.00	

(2) Cash paid relating to other investing activities

Items	Amount for the current period	Amount for the previous period
Net cash paid on disposal of subsidiaries	500,059.94	8,770,704.43
Inter-enterprise loans	13,500,000.00	
Total	14,000,059.94	8,770,704.43

3. Cash relating to financing activities

(1) Cash received relating to other financing activities

Items	Amount for the current period	Amount for the previous period
Cash received for sale-leaseback	55,000,000.00	150,684,059.10
Cash received for lease liabilities		736,190.90
Inter-enterprise loans	900,000.00	
Total	55,900,000.00	151,420,250.00

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIV) Items in the cash flow statement (continued)

3. Cash relating to financing activities (continued)

(2) Cash paid relating to other financing activities

Items	Amount for the current period	Amount for the previous period
Cash paid for sale-leaseback	100,045,828.93	8,096,992.56
Cash paid for lease liabilities	49,299,788.06	43,524,302.81
Funds returned from inter-enterprise loans		4,500,000.00
Cash paid for reduction of registered capital	2,656,500.00	
Cash paid for acquisition of non-controlling interests of the subsidiaries	4,866,900.00	
Payment of H Share Award and Trust Scheme	18,621,600.00	
Total	175,490,616.99	56,121,295.37

(3) Changes in liabilities arising from financing activities

Items	Balance at the end of the previous year	Increase in the current period		Decrease in the current period		Balance as at the end of the period
		Changes in cash	non-cash changes	Changes in cash	non-cash changes	
Short-term borrowings	203,000,000.00	200,551,700.00		276,550,000.00		127,001,700.00
Long-term borrowings	413,480,000.00	405,387,087.44		81,127,872.75		737,739,214.69
Lease liabilities	196,986,064.66	34,097,316.27	15,009,373.03	49,400,249.02	4,809,083.19	191,883,421.75
Long-term payables	141,984,938.54	44,573,571.71	11,497,165.80	89,185,739.78	5,770,727.74	103,099,208.53

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LV) Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	85,947,806.64	-10,968,838.36
Add: Gains of non-controlling shareholders for the current period	983,801.18	
Credit impairment losses	9,354,735.55	25,191,541.19
Provision for assets impairment		10,345,460.56
Depreciation of fixed assets	47,460,771.26	53,029,785.07
Depreciation of productive biological assets		
Consumption of oil and gas assets		
Depreciation of right-of-use assets	40,597,483.20	38,189,335.84
Amortisation of intangible assets	25,492,057.82	22,991,163.56
Amortisation of long-term prepaid expenses	45,839,280.77	46,397,646.59
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with “-” signs)	297,499.85	-406,184.95
Losses on scrapping of fixed assets (gains represented with “-” signs)	258,328.74	1,574,873.04
Losses on changes in fair value (gains represented with “-” signs)	-214,405.20	15,977,325.91
Financial expenses (gains represented with “-” signs)	40,800,972.44	45,071,535.43
Investment losses (gains represented with “-” signs)	6,067,197.24	-2,850,458.27
Decrease in deferred tax assets (increase represented with “-” signs)	-18,371,099.67	-6,345,432.93
Increase in deferred tax liabilities (decrease represented with “-” signs)	-5,638,302.33	672,088.86
Decrease in inventories (increase represented with “-” signs)	4,376,940.05	-1,812,096.14
Decrease in operating receivables (increase represented with “-” signs)	-53,549,066.70	-137,055,559.27
Increase in operating payables (decrease represented with “-” signs)	35,329,236.62	127,218,378.32
Others		
Net cash flows from operating activities	265,033,237.46	227,220,564.45
2. Significant non-cash transactions in relation to investing and financing activities		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Right-to-use assets acquired by assuming lease liabilities		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	404,723,339.37	258,595,990.97
Less: Cash at the beginning of the period	258,595,990.97	188,734,845.77
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	146,127,348.40	69,861,145.20

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LV) Supplementary information to the cash flow statement (continued)

2. Net cash received from subsidiaries paid in the current period

	Amount
Cash or cash equivalents paid in the current period for business mergers occurring in the current period	33,716,662.00
Including: Loudi City Kangle Kangning Hospital Co., Ltd.	15,500,000.00
Dongkou Lening Hospital Co., Ltd.	14,510,000.00
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	3,456,662.00
Wenzhou Anken Pharmacy Co., Ltd.	250,000.00
Less: Cash and cash equivalents held by subsidiaries at the date of purchase	2,427,508.68
Including: Loudi City Kangle Kangning Hospital Co., Ltd.	562,986.94
Dongkou Lening Hospital Co., Ltd.	607,690.86
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	1,256,830.88
Wenzhou Anken Pharmacy Co., Ltd.	
Add: Cash or cash equivalents paid in the current period for business mergers that occurred in previous periods	
Including: Loudi City Kangle Kangning Hospital Co., Ltd.	
Dongkou Lening Hospital Co., Ltd.	
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	
Wenzhou Anken Pharmacy Co., Ltd.	
Obtain net cash paid by subsidiaries	31,289,153.32

3. Composition of cash and cash equivalents

Items	Balance as at the end of the period	Balance as at the end of the previous year
I. Cash	404,723,339.37	258,595,990.97
Including: Cash on hand	371,623.69	454,907.26
Cash at bank that can be readily drawn on demand	402,841,916.96	257,534,338.59
Other cash balances that can be readily drawn on demand	1,509,798.72	606,745.12
II. Cash equivalents		
Including: Bond investments due within three months		
III. Balance of cash and cash equivalents at the end of the period	404,723,339.37	258,595,990.97
Including: Cash and cash equivalents held but not used by the parent company or subsidiaries within the Group		

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LV) Supplementary information to the cash flow statement (continued)

3. Composition of cash and cash equivalents (continued)

Cash at bank and on hand that are not cash and cash equivalents:

Items	Balance as at the end of the period	Balance as at the end of the previous year	Reasons that are not cash and cash equivalents
Cash at bank and on hand	772,510.54	498,972.00	Bank acceptance deposit
	12,000,000.00	12,000,000.00	Performance bond
	1,361,750.73		Foreign Exchange Control Account
	2,120.75		Litigation Frozen
	2,000.00		Others
Total	14,138,382.02	12,498,972.00	

(LVI) Notes to items of statement of changes in owners' equity

Nil

(LVII) Foreign currency monetary items

1. Foreign currency monetary items

Item	Closing balance denominated in foreign currency	Exchange rate	Closing balance of foreign currency translated into RMB
Cash at bank and on hand	133,966.54		627,264.08
Including: US\$	81,905.11	7.08	579,888.18
HK\$	52,061.43	0.91	47,375.90

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LVIII) Lease

1. As a lessee

Item	Amount for the current period	Amount for the previous period
Interest cost of leased liabilities	9,189,724.07	11,935,506.62
Total cash outflows relating to leases	49,299,788.06	43,524,302.81
Cash inflows of sale and leaseback transaction	55,000,000.00	150,684,059.10
Cash outflows of sale and leaseback transaction	100,045,828.93	8,096,992.56

2. As a lessor

Operating lease	Amount for the current period	Amount for the previous period
Operating lease income	5,348,551.23	8,067,969.32

VI. Changes in scope of consolidation

(I) Business combination not under common control

1. Business combination not under common control during the period

Name of acquiree	Time of acquisition of equity interest	Consideration of acquisition of equity interest	Percentage of equity interest acquired (%)	Method of acquisition of equity interest	Date of acquisition	Basis for determining the date of acquisition	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period	Cash flow of the acquiree from the date of acquisition to the end of the period
Loudi City Kangle Kangning Hospital Co., Ltd.	June 16, 2023	15,500,000.00	51.00	Cash acquisition	June 30, 2023	Control	6,257,706.23	466,316.48	899,202.21
Wenzhou Anken Pharmacy Co., Ltd.	May 29, 2023	250,000.00	100.00	Cash acquisition	May 31, 2023	Control	697,239.80	-255,995.05	133,994.64
Dongkou Lening Hospital Co., Ltd.	December 8, 2023	14,510,000.00	51.00	Cash acquisition	August 31, 2023	Control	976,442.70	-2,331,321.57	282,252.27
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (Note)	December 29, 2023	6,907,099.74	49.33	Step acquisition	December 21, 2023	Control	-	-	-

Note: There are three shareholders in Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd., among which the Company holds 49.33%, Chongqing Jinpu Medical Industry Investment Co., Ltd. (重慶金浦醫療產業投資有限公司) holds 26.57%, and Sichuan Hongji Pharmaceutical Co., Ltd. holds 24%. The Company appoints the chairman and is responsible for the operation and management of Chengdu Jinniu Yining. The Company is capable of leading the relevant activities of Chengdu Jinniu Yining, so it is included in the scope of consolidated statements.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

2. Cost of combination and goodwill

	Anken Pharmacy	Loudi Kangning	Dongkou Lening	Chengdu Yining
Cost of combination				
– Cash	250,000.00	15,500,000.00	14,510,000.00	3,546,662.00
– Fair value on the date of acquisition for equity interest held prior to the date of acquisition				3,360,437.74
Total cost of combination	250,000.00	15,500,000.00	14,510,000.00	6,907,099.74
Less: Share of the fair value of identifiable net assets acquired	21,461.69	15,216,471.90	12,007,145.87	-2,657,342.91
The amount by which the goodwill/merger cost is less than the acquired share of the fair value of identifiable net assets	228,538.31	283,528.10	2,502,854.13	9,564,442.65

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

2. Cost of combination and goodwill (continued)

Major reasons for a huge amount of goodwill:

- (1) The Company purchased 100% equity interests of Wenzhou Anken Pharmacy Co., Ltd. (referred to as “Anken Pharmacy”) held by Hangzhou Anken Medical Technology Co., Ltd. The equity consideration was RMB250,000.00 and the fair value of the identifiable net assets was RMB21,461.69, resulting in goodwill of RMB228,538.31.
- (2) The Company purchased 51% equity interests of Loudi City Kangle Kangning Hospital Co., Ltd. (referred to as “Loudi Kangning”) from Hainan Huirui Enterprise Management Partnership (Limited Partnership), which was transferred from Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership). The equity consideration was RMB15,500,000.00. According to the conclusion of the valuation report of Yinxin Asset Appraisal Co., Ltd. on the apportionment of the merger consideration of Loudi Kangning, the fair value of the identifiable net assets of Loudi Kangning was RMB15,216,471.90, resulting in goodwill of RMB283,528.10.
- (3) The Company purchased 51% equity interests of Dongkou Lening Hospital Co., Ltd. (referred to as “Dongkou Lening”) from Hainan Huirui Enterprise Management Partnership (Limited Partnership), which was transferred from Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership). The equity consideration was RMB14,510,000.00. According to the conclusion of the valuation report of Yinxin Asset Appraisal Co., Ltd. on the apportionment of the merger consideration of Dongkou Lening, the fair value of the identifiable net assets of Dongkou Lening was RMB12,007,145.87, resulting in goodwill of RMB2,502,854.13.
- (4) The Company purchased 25.33% equity interests of Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (referred to as “Chengdu Yining”) from Shanghai Shuyu Information Consulting Co., Ltd., which was transferred from Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership). The equity consideration was RMB3,546,662.00, and the fair value of 24% equity interests of Chengdu Yining held by the Company prior to the purchase date is RMB3,360,437.74, with total cost of combination of RMB6,907,099.74. According to the conclusion of the valuation report of Yinxin Asset Appraisal Co., Ltd. on the apportionment of the merger consideration of Chengdu Yining, the fair value of the identifiable net assets of Chengdu Yining was RMB-2,657,342.91, resulting in goodwill of RMB9,564,442.65.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

3. Identifiable assets and liabilities of the acquiree on the date of acquisition

	Anken Pharmacy		Loudi Kangning		Dongkou Lening		Chengdu Yiming	
	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition
Assets:	242,491.13	242,491.13	34,685,457.97	22,661,126.02	28,545,329.13	12,491,159.51	40,352,167.70	18,845,425.37
Cash at bank and on hand			562,986.94	562,986.94	607,690.86	607,690.86	1,258,951.63	1,258,951.63
Receivables	12,167.15	12,167.15	7,489,215.85	11,292,072.74	3,339,417.21	4,047,532.83	2,268,666.72	2,268,666.72
Prepayments			166,068.59	1,167,668.59	214,028.14	634,713.74	429,068.16	429,068.16
Other receivables	107,779.23	107,779.23	677,201.30	1,074,846.30	394,809.60	1,423,090.00	382,946.80	382,946.80
Inventories	109,424.55	109,424.55	373,931.03	373,931.03	145,505.11	195,708.29	297,471.03	297,471.03
Other current assets			360,020.26	360,020.26				
Fixed assets	8,270.20	8,270.20	2,505,404.03	2,196,970.19	1,266,889.00	1,005,434.58	1,815,909.80	3,309,167.47
Construction in progress				82,000.00	558,081.61	558,081.61		
Intangible assets	4,850.00	4,850.00	17,000,000.00		18,000,000.00		23,106,745.97	106,745.97
Long-term deferred expenses			5,550,629.97	5,550,629.97	4,018,907.60	4,018,907.60	4,589,634.73	4,589,634.73
Deferred tax assets							6,092,772.86	6,092,772.86
Other non-current assets							110,000.00	110,000.00
Liabilities:	221,029.44	221,029.44	4,849,238.57	1,843,155.58	5,001,905.86	988,869.70	45,739,037.57	40,362,351.99
Payables	210,741.55	210,741.55	457,516.78	457,516.78	723,701.61	724,376.61	126,640.23	126,640.23
Receipts in advance					1,265.19	1,265.19	8,672.52	8,672.52
Employee benefits payable			340,592.00	340,592.00	212,855.20	212,855.20	502,805.75	502,805.75
Taxes payable	10,287.89	10,287.89					122,396.25	122,396.25
Other payables			1,045,046.80	1,045,046.80	50,372.70	50,372.70	39,601,837.24	39,601,837.24
Deferred tax liabilities			3,006,082.99		4,013,711.16		5,376,685.58	
Net assets	21,461.69	21,461.69	29,836,219.40	20,817,970.44	23,543,423.27	11,502,289.81	-5,386,869.87	-21,516,926.62
Less: Minority interests			14,619,747.49	10,200,805.52	11,536,277.40	5,636,122.01	-2,729,526.96	-10,902,626.72
Net assets acquired	21,461.69	21,461.69	15,216,471.90	10,617,164.92	12,007,145.87	5,866,167.80	-2,657,342.91	-10,614,299.90

Method of determining the fair value of identifiable assets and liabilities: The Company uses valuation techniques to determine the fair value of identifiable assets and liabilities.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

4. Supplementary information on the step-by-step realization of business combinations

Name of acquiree	Time of acquisition for equity interest previously held prior to the date of acquisition	Percentage of acquisition for equity interest previously held prior to the date of acquisition	Cost of acquisition for equity previously held prior to the date of acquisition	Method of acquisition for equity previously held prior to the date of acquisition	Carrying value on the date of acquisition for equity previously held prior to the date of acquisition	Fair value on the date of acquisition for equity previously held at fair value prior to the date of acquisition	Gains or losses arising from the remeasurement of equity previously held at fair value prior to the date of acquisition	Method and main assumptions of determining the fair value on the date of acquisition for equity previously held prior to the date of acquisition	Amounts transferred to investment income/retained earnings from other comprehensive income related to equity previously held prior to the date of acquisition
Chengde Jinnan Yinyang Psychiatric Hospital Co., Ltd.	September 12, 2017	24.00%	5,000,000.00	Cash Contribution	-	3,360,437.74	3,360,437.74	The price of the transaction is fair	-

(II) Disposal of subsidiaries

1. Transactions or events in which control of subsidiaries was lost during the period

Name of subsidiary	Disposal price at the date of loss of control	Percentage of disposals at the date of loss of control	Date of loss of control	Basis for determining the date of loss of control	Difference between the consideration for disposal and the share of net assets of the subsidiary at the level of the relevant consolidated financial statements in which the disposed investments presented	Carrying amount of remaining equity at the level of the relevant consolidated financial statements in which the date of loss of control	Fair value of remaining equity at the level of the relevant consolidated financial statements in which the date of loss of control	Determination method and major assumptions of the fair value of remaining equity at the level of the relevant consolidated financial statements in which the date of loss of control	Amount transferred into investment gain or loss/retained earnings from other comprehensive income relating to the equity investment in the former subsidiary
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	-	20.00	March 31, 2023	The delivery of equity transfer	697,750.03	3,000,000.00	3,000,000.00	Disposal price	-

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(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(III) Changes in the scope of consolidation due to other reasons

Description of changes in the scope of consolidation due to other reasons and related circumstances:

- (1) Shenzhen Yining Medical Investment Co., Ltd., a subsidiary of the Company, was cancelled on May 24, 2023.
- (2) The Company established a wholly-owned subsidiary, Wenzhou Kangning Psychological Consulting Co., Ltd. on July 3, 2023.
- (3) The Company and its wholly-owned subsidiary, Zhejiang Kangning, invested a total of RMB9,990,000.00 to purchase and acquire 99% equity interests in Jiaxing Jiulikang Zizheng Equity Investment Partnership (Limited Partnership) on December 28, 2023 and November 8, 2023.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiary	Type of legal entity	Registered capital (0000' yuan)	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Zhejiang Kangning Hospital Management (Group) Co., Ltd.	limited company (LC)	20,000.00	Ningbo	Ningbo	Hospital management	100.00		Incorporation
Pingyang Kangning Hospital Co., Ltd.	LC	600.00	Pingyang	Pingyang	Medical service		100.00	Incorporation
Wenzhou Yining Geriatric Hospital Co., Ltd.	LC	6,000.00	Wenzhou	Wenzhou	Medical service		100.00	Incorporation
Quzhou Yining Hospital Co., Ltd.	LC	3,000.00	Quzhou	Quzhou	Medical service		60.00	Incorporation
Taizhou Luqiao Cining Hospital Co., Ltd.	LC	1,000.00	Taizhou	Taizhou	Medical service		51.00	Incorporation
Yiwu Kangning Hospital Management Co., Ltd.	LC	3,000.00	Yiwu	Yiwu	Hospital management		100.00	Incorporation
Taizhou Kangning Hospital Co., Ltd.	LC	1,000.00	Taizhou	Taizhou	Medical service		51.00	Combination not under common control
Hangzhou Cining Hospital Co., Ltd.	LC	100.00	Hangzhou	Hangzhou	Medical service		100.00	Incorporation
Wenzhou Tianzhentang Chinese Medicine Clinic Co., Ltd.	LC	500.00	Wenzhou	Wenzhou	Medical service		100.00	Incorporation
Zhejiang Jerinte Health Technology Co., Ltd.	LC	1,000.00	Hangzhou	Hangzhou	Technology service		100.00	Incorporation
Wenzhou Jerinte Jingxin Technology Co., Ltd. (温州傑翎靖心科技有限公司)	LC	1,000.00	Wenzhou	Wenzhou	Technology service		100.00	Incorporation
Nanjing Yining Hospital Co., Ltd.	LC	2,633.75	Nanjing	Nanjing	Medical service		85.65	Combination not under common control
Heze Yining Psychiatric Hospital Co., Ltd.	LC	3,000.00	Heze	Heze	Medical service		51.00	Combination not under common control
Guanxian Yining Hospital Co., Ltd.	LC	1,000.00	Guanxian	Guanxian	Medical service		90.00	Combination not under common control
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	LC	753.00	Taizhou	Taizhou	Medical service		68.80	Combination not under common control

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiary	Type of legal entity	Registered capital (0000' yuan)	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Beijing Yining Hospital Co., Ltd.	LC	6,183.67	Beijing	Beijing	Medical service		51.00	Incorporation
Wenzhou Yixin Health Technology Co., Ltd.	LC	50.00	Wenzhou	Wenzhou	Technology service		100.00	Combination not under common control
Huainan Kangning Hospital Co., Ltd.	LC	6,000.00	Huainan	Huainan	Medical service		95.00	Combination not under common control
Zhejiang Yining Health Technology Co., Ltd.	LC	2,040.82	Hangzhou	Hangzhou	Technology service		98.00	Incorporation
Wenzhou Yining Drugstore Co., Ltd.	LC	50.00	Wenzhou	Wenzhou	Drug retail		100.00	Incorporation
Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.	LC	500.00	Wenzhou	Wenzhou	Hospital management		100.00	Incorporation
Zhejiang Dening Pharmaceutical Co., Ltd.	LC	1,000.00	Wenzhou	Wenzhou	Pharmaceutical retail		80.00	Incorporation
Changchun Kanglin Psychological Hospital Co., Ltd.	LC	2,200.00	Changchun	Changchun	Medical service		64.55	Combination not under common control
Chun'an Qiandao Lake Kangning Hospital Co., Ltd.	LC	1,000.00	Hangzhou	Hangzhou	Medical service		100.00	Incorporation
Hangzhou Yining Medical Equipment R&D Co., Ltd.	LC	500.00	Hangzhou	Hangzhou	Technology service		100.00	Incorporation
Hangzhou Yining Nursery Service Co., Ltd.	LC	100.00	Hangzhou	Hangzhou	Nursing care		100.00	Incorporation
Linhai Cining Hospital Co., Ltd.	LC	5,000.00	Taizhou	Taizhou	Medical service		100.00	Incorporation
Shenzhen Yining Hospital	LC	6,000.00	Shenzhen	Shenzhen	Medical service		55.00	Incorporation
Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司)	LC	1,660.00	Jinhua	Jinhua	Medical service		66.00	Incorporation
Chun'an Kangning Huangfeng Hospital Co., Ltd.	LC	1,000.00	Hangzhou	Hangzhou	Medical service		60.00	Incorporation
Cangnan Kangning Hospital Co., Ltd.	LC	5,000.00	Cangnan	Cangnan	Medical service	100.00		Incorporation
Cangnan Yining Nursing Center Co., Ltd.	LC	1,000.00	Cangnan	Cangnan	Medical service		100.00	Incorporation
Yueqing Kangning Hospital Co., Ltd.	LC	100.00	Yueqing	Yueqing	Medical service	100.00		Incorporation
Linhai Kangning Hospital Co., Ltd.	LC	200.00	Taizhou	Taizhou	Medical service	85.00		Incorporation

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiary	Type of legal entity	Registered capital (0000' yuan)	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Wenzhou Ouhai Yining Elderly Hospital Co., Ltd.	LC	1,000.00	Wenzhou	Wenzhou	Medical service	100.00		Incorporation
Qingtian Kangning Hospital Co., Ltd.	LC	3,200.00	Lishui	Lishui	Medical service	100.00		Incorporation
Wenzhou Cining Hospital Co., Ltd.	LC	2,585.98	Wenzhou	Wenzhou	Medical service	100.00		Combination not under common control
Wenzhou Kangning Judicial Forensic Centre	LC	50.00	Wenzhou	Wenzhou	Judicial expertise	100.00		Incorporation
Wenzhou Lucheng Yining Hospital Co., Ltd.	LC	6,800.00	Wenzhou	Wenzhou	Medical service	60.00		Incorporation
Yongjia Kangning Hospital Co., Ltd.	LC	2,700.00	Wenzhou	Wenzhou	Medical service	100.00		Incorporation
Pingyang Changgeng Yining Hospital Co., Ltd.	LC	3,057.47	Wenzhou	Wenzhou	Medical service	100.00		Combination not under common control
Yueqing Yining integrated Traditional and Western Medicine Hospital Co., Ltd.	LC	9,800.00	Yueqing	Yueqing	Medical service	100.00		Combination not under common control
Jinyun Shuning Hospital Co., Ltd.	LC	2,398.26	Jinyun	Jinyun	Medical service	55.00		Combination not under common control
Loudi City Kangle Kangning Hospital Co., Ltd.	LC	1,940.00	Loudi	Loudi	Medical service	51.00		Combination not under common control
Longquan Kangning Hospital Co., Ltd.	LC	3,000.00	Lishui	Lishui	Medical service		100.00	Incorporation
Wenzhou Anken Pharmacy Co., Ltd.	LC	100.00	Wenzhou	Wenzhou	Drug retail		100.00	Combination not under common control
Dongkou Lening Hospital Co., Ltd.	LC	1,800.00	Shaoyang	Shaoyang	Medical service	51.00		Combination not under common control
Wenzhou Kangning Psychological Consulting Co., Ltd.	LC	50.00	Wenzhou	Wenzhou	Medical service	100.00		Incorporation
Jiaxing Jiulikang Zizheng Equity Investment Partnership (Limited Partnership)	LP	1,000.00	Jiaxing	Jiaxing	Equity investments	100.00		Incorporation
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	LC	2,083.33	Chengdu	Chengdu	Medical service		49.33	Combination not under common control

Notes to the Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Shareholding percentage of non-controlling shareholder	Current profits or losses attributable to non-controlling shareholders	Current dividends distributed to non-controlling shareholders	Closing balance of interest of non-controlling shareholders
Wenzhou Lucheng Yining Hospital Co., Ltd.	40.00	-400,389.90		25,566,940.37
Jinyun Shuning Hospital Co., Ltd.	45.00	-1,283,475.56		17,686,294.78
Loudi City Kangle Kangning Hospital Co., Ltd.	49.00	228,495.08		14,848,242.58

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

3. Major financial information of the significant non-wholly-owned subsidiaries

Name of subsidiary	Balance as at the end of the period				Balance as at the end of the previous year					
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Total liabilities		
Wenzhou Lucheng Yining Hospital Co., Ltd.	12,771,926.28	126,317,515.02	139,089,441.30	48,340.35	75,123,750.00	75,172,090.35	117,465,297.36	20,546,971.67	45,000,000.00	65,546,971.67
Jinyun Shuang Hospital Co., Ltd.	13,868,975.32	71,012,513.90	84,881,489.22	15,643,448.52	28,680,000.20	44,323,448.72	69,165,031.32	21,435,736.55	4,319,092.70	25,754,829.25
Loudi City Kangle Kangning Hospital Co., Ltd. (Note)	9,462,168.42	26,252,849.68	35,715,018.10	1,026,823.83	4,385,658.39	5,412,482.22				
Name of subsidiary	Amount for the current period			Amount for the previous period						
	Revenue	Net profit	Cash flows from operating activities	Revenue	Net profit	Cash flows from operating activities				
Wenzhou Lucheng Yining Hospital Co., Ltd.	-1,000,974.74	-1,000,974.74	-3,869,458.16	-7,660.85	-7,660.85	2,715,235.08				
Jinyun Shuang Hospital Co., Ltd.	16,050,977.70	-2,852,161.57	-8,603,908.46	17,795,027.95	-5,248,729.36	7,703,812.61				
Loudi City Kangle Kangning Hospital Co., Ltd. (Note)	6,257,706.23	466,316.48	1,112,871.98							

Note: Loudi City Kangle Kangning Hospital Co., Ltd. is a new subsidiary through mergers and acquisitions by the Company in June 2023, and the amount for the current period is the amount from acquisition date to the end of the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(II) Transactions that cause changes in the share of owners' equity in subsidiaries that do not result in loss of control

1. Explanation on change in the share of owners' equity in subsidiaries

- (1) In June 2023, the Company purchased 5% equity interest in Linhai Kangning Hospital Co., Ltd. (referred to as "Linhai Kangning") from Qu Kaisheng at a consideration of RMB2,500,000.00, and the share of net assets calculated by the acquired proportion of shareholding on an ongoing basis was RMB768,269.49.
- (2) In June 2023, the Company purchased 4% equity interest in Jinyun Shuning Hospital Co., Ltd. (referred to as "Jinyun Shuning") from Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership) at a consideration of RMB2,366,900.00, and the share of net assets calculated by the acquired proportion of shareholding on an ongoing basis was RMB1,715,698.90.

2. The influence of the transaction on minority equity and the equity attributable to the owners of parent company

	Linhai Kangning	Jinyun Shuning
Purchase cost/disposal consideration		
– cash	2,500,000.00	2,366,900.00
Total purchase cost/disposal consideration	2,500,000.00	2,366,900.00
Less: Share of net assets of subsidiaries calculated based on the shareholding percentage acquired/disposed of	768,269.49	1,715,698.90
Difference	1,731,730.51	651,201.10
Including: Adjustment to the capital reserve	1,731,730.51	651,201.10
Adjustment to the surplus reserve		
Adjustment to the retained earnings		

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(III) Interests in joint ventures or associates

1. Major joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Nature of business	Shareholding (%)		Accounting method for investment in joint ventures or associates	Whether strategic to the Company's activities or not
				Direct	Indirect		
Hangzhou Anken Medical Technology Co., Ltd.	Hangzhou	Hangzhou	Hospital management	26.65		Equity method	Yes
Wenzhou Longwan Yining Hospital Co., Ltd.	Wenzhou	Wenzhou	Medical service	45.00		Equity method	Yes
Zhejiang Huangfeng Hospital Management Co., Ltd.	Hangzhou	Hangzhou	Hospital management	47.50		Equity method	Yes
Hangzhou Yining Hospital Co., Ltd.	Hangzhou	Hangzhou	Medical service		33.00	Equity method	Yes
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Wenzhou	Wenzhou	Catering service		40.00	Equity method	Yes
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	Xi'an	Xi'an	Hospital management		30.00	Equity method	Yes
Chongqing Hechuan Kangning Hospital Co., Ltd.	Chongqing	Chongqing	Medical service		40.00	Equity method	Yes

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(III) Interests in joint ventures or associates (continued)

2. Major financial information of significant associates

Items	Closing balance/amount for the current period			Opening balance/amount for the previous period		
	Hangzhou Anken Medical Technology Co., Ltd.	Wenzhou Longwan Yining Hospital Co., Ltd.	Shaanxi Shanda Hospital Management Consulting Co., Ltd.	Hangzhou Anken Medical Technology Co., Ltd.	Wenzhou Longwan Yining Hospital Co., Ltd.	Shaanxi Shanda Hospital Management Consulting Co., Ltd.
Current assets	53,708,669.65	46,656,767.88	71,300,257.36	19,588,381.60	19,588,381.60	19,588,381.60
Non-current assets	46,709,884.95	152,199,429.22	117,230,334.02	49,711,456.28	86,423,111.11	109,421,112.05
Total assets	100,418,554.60	198,856,197.10	188,530,591.38	69,299,837.88	106,011,492.71	129,009,493.65
Current liabilities	54,935,249.19	37,541,901.86	97,460,588.12	35,018,700.54	5,405,492.46	73,241,240.81
Non-current liabilities	15,050,976.27	35,000,000.00	15,000,000.00	7,081,175.96		
Total liabilities	69,986,225.46	72,541,901.86	112,460,588.12	42,099,876.50	5,405,492.46	73,241,240.81
Non-controlling interests	4,751,694.63		19,343,974.26			
Equity attributable to shareholders of the parent company	25,680,634.51	126,314,295.24	56,726,029.00	27,199,961.38	126,572,289.22	74,513,555.53
Share of net assets calculated by proportion of shareholding	9,376,542.33	56,841,432.86	22,821,000.98	7,235,189.73	56,957,530.15	22,354,066.66
Adjustment						
- Goodwill						
- Unrealised profit of intra-group transaction						
- Others						
Carrying amount of equity investment in joint ventures						
Fair value of equity investments in joint ventures with public offer						
Operating revenue	140,281,463.89		47,654,671.86	22,936,582.70		20,462,854.35
Net profit	6,903,036.00	-257,993.98	1,052,984.93	-12,149,287.13	-108,681.39	-3,674,720.32
Net profit of discontinuing operations						
Other comprehensive income						
Total comprehensive income	6,903,036.00	-257,993.98	1,052,984.93	-12,149,287.13	-108,681.39	-3,674,720.32
Dividends received from joint ventures in the period						

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VIII. Government grants

(I) Types, amounts and presentation items of government grants

1. Government grants included in profit or loss for the current period

Government grants related to income

Items included in profit or loss for the current period or offset against related cost and expense losses	Government grants amount	The amount included in profit or loss for the current period or offset against related cost and expense losses	
		Amount for the current period	Amount for the previous period
Operating reward of Wenzhou Dongtou District Economy, Commerce and Information Technology Bureau	6,174,393.49	6,174,393.49	
Basic medical service grants	1,808,866.20	1,808,866.20	
Tax and social insurance return	1,607,644.57	1,607,644.57	3,898,008.28
Enterprise R&D expense grants	891,305.79	891,305.79	
Subsidies for resident doctors standardized training	785,833.31	785,833.31	1,018,900.00
Temporary work allowance for medical personnel	710,750.00	710,750.00	
Special subsidies for epidemic prevention and control from Centers for Disease Control and Prevention	997,071.49	997,071.49	721,947.00
Medical subsidies from the Health Bureau	499,320.00	499,320.00	
Bed subsidies from Health and Family Planning Bureau	344,000.00	344,000.00	284,000.00
Reconstruction and expansion project subsidized by Wenzhou Finance Bureau	303,792.00	303,792.00	303,792.00
Financial subsidies for the urban high-quality medical resources sinking into Cangnan County People's Hospital in 2022	280,000.00	280,000.00	
Health subsidies	206,153.66	206,153.66	
Subsidies for Disabled Person's Home	203,186.30	203,186.30	40,000.00
Subsidies for Technology-based enterprise	200,000.00	200,000.00	3,408,933.78
Reward for passing the one-year assessment of newly established municipal academician workstations of the Association for Science and Technology	171,500.00	171,500.00	

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VIII. Government grants (continued)

(I) Types, amounts and presentation items of government grants (continued)

1. Government grants included in profit or loss for the current period (continued)

Government grants related to income (continued)

Items included in profit or loss for the current period or offset against related cost and expense losses	Government grants amount	The amount included in profit or loss for the current period or offset against related cost and expense losses	
		Amount for the current period	Amount for the previous period
Patients with severe mental disorders working expenses from Health Commission of Cangnan	154,811.73	154,811.73	174,653.70
Employment subsidies	167,287.64	167,287.64	312,517.78
Employment stabilization subsidies from Human Resources and Social Security Bureau	133,469.31	133,469.31	973,813.11
Subsidies for talent training	130,000.00	130,000.00	90,000.00
Relief fund for renal protection and blood purification project	80,000.00	80,000.00	
Special Fund for Supporting Private Hospitals from Wenzhou Ouhai District Health Bureau	53,200.00	53,200.00	
Enterprise Talent Cultivation Award	53,000.00	53,000.00	5,000.00
Service Industry innovation and development special award of Pingyang	50,000.00	50,000.00	50,000.00
Subsidies for designated rehabilitation institutions for disabled children	42,000.00	42,000.00	600,000.00
Reward for the zero-waste hospital project by Wenzhou Ecological Environment Bureau	40,000.00	40,000.00	20,000.00
Subsidies received from Yueqing Civil Affairs Bureau for the screening work of the elderly with zero-balance account	38,900.00	38,900.00	
Subsidies for job enlargement	34,500.00	34,500.00	249,000.00
Subsidies for the construction of leading medical disciplines and suitable technologies	30,000.00	30,000.00	
The municipal-level health promotion hospital subsidy disbursed by the Health Commission of Liuhe District	29,900.00	29,900.00	20,000.00
Wenzhou Municipal Health Commission's Funds for Young Medical Talents	7,000.00	7,000.00	7,000.00

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VIII. Government grants (continued)

(I) Types, amounts and presentation items of government grants (continued)

1. Government grants included in profit or loss for the current period (continued)

Government grants related to income (continued)

Items included in profit or loss for the current period or offset against related cost and expense losses	Government grants amount	The amount included in profit or loss for the current period or offset against related cost and expense losses	
		Amount for the current period	Amount for the previous period
Wenzhou Municipal Health Commission's Hospitalization Residency Training Fund	6,700.00	6,700.00	6,700.00
Subsidy for Basic Living Expenses of Homeless			40,000.00
Incentive for enterprises above designated size in the service sector from Development and Reform Bureau of Cangnan County in 2021			638,519.98
Subsidies for postdoctoral research workstation			605,000.00
Service support subsidies from the Health Commission			311,520.00
Subsidies for recognized as high-tech enterprise			300,000.00
Subsidies for construction of private medical institutions from Health Bureau of Yueqing in 2021			238,400.00
Operating Subsidies Health Bureau of Yuhang District, Hangzhou			63,971.59
Incentive for enterprises above designated size in the service sector from Development and Reform Bureau of Pingyang			55,332.00
The 2022 funding subsidy for financially distressed enterprises by the Economic and Information Bureau of Yongjia County			22,045.69
Others	78,742.36	78,742.36	77,381.00
Total	16,313,327.85	16,313,327.85	14,657,270.91

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

VIII. Government grants (continued)

(I) Types, amounts and presentation items of government grants (continued)

2. Liabilities related to government grants

Liabilities	Balance as at the end of the previous year	Additions of grants for the current period	Amount	Amount	Amount of cost and expense offset for the current period	Other changes	Balance as at the end of the period	Asset-related/ income-related
			included in non-operating income for the current period	transferred to other income for the current period				
Deferred income	9,037,891.00			303,792.00			8,734,099.00	Asset-related

IX. Risks related to financial instruments

(I) Various risks arise from financial instruments

During its business operation, the Company faces various financial risks: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks the Company is exposed to. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Strategy and Risk Management Committee in accordance with the policies approved by the board of directors. The Strategy and Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly audits the risk management controls and procedures, and reports their findings to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IX. Risks related to financial instruments (continued)

(I) Various risks arise from financial instruments (continued)

1. Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The Company's credit risk mainly sources from cash at bank and on hand, accounts receivable, and other receivables, etc.

The Company's cash at bank and on hand are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and it will hardly generate significant losses caused by bank default.

The Company's accounts receivables are mainly sales of medicines and provision of medical services to patients, and also management service fees receivables. According to the social security policy of each hospital of the Company, medical fees of patients are usually jointly borne by the patients and social insurance. The Company usually collects part of the advance payment during the patient admission procedures, and the patients are required to settle their responsible part of the fee during the discharge procedures. For those fees unsettled by the patients at the time of discharge, the Company will recover from the patients through regular collections. For the medical fees borne by social insurance, the Company will reimburse the social insurance institution in a timely manner after issuing invoices to patients. The reimbursement is usually recovered within 2-9 months after application, for which the Company believes that there is no major credit risk. Some of the medical fees are also paid by government departments such as the Civil Affairs Bureau and Disabled Persons' Federation where the hospitals are located. The Company adopts different collection monitoring mechanisms for different payers.

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle by delivering cash or other financial assets.

It is the Company's policy to ensure that it has sufficient cash to meet debts due. Liquidity risk is centrally controlled by the financial department of the Company. By monitoring cash balances, marketable securities that can be readily liquidated and rolling projections of cash flows over the next 12 months, the finance department ensures that the Company has sufficient funds to repay its debts under all reasonable projections. At the same time, the finance department continuously monitors the Company's compliance with borrowing agreements and obtains commitments from major financial institutions to provide adequate standby funds to meet short and long-term funding needs.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IX. Risks related to financial instruments (continued)

(I) Various risks arise from financial instruments (continued)

2. Liquidity risk (continued)

Various financial liabilities of the Company shall be presented at undiscounted contractual cash flows on the maturity date as follows:

Items	Instant repayment	Balance as at the end of the period				Over 5 years	Total undiscounted contractual amount	Carrying amount
		Within 1 year	1-2 years	2-5 years				
Notes payable		1,545,021.09				1,545,021.09	1,545,021.09	
Bank borrowings		340,005,699.32	270,474,264.25	228,670,426.19	158,782,942.13	997,933,331.89	864,740,914.69	
Lease liabilities		28,643,888.99	44,408,365.80	71,261,748.80	69,158,488.54	213,472,492.13	191,883,421.75	
Long-term payables		43,175,648.00	19,331,148.00	55,701,622.66		118,208,418.66	103,099,208.53	
Accounts payable		110,060,007.67				110,060,007.67	110,060,007.67	
Other payables		150,270,575.15				150,270,575.15	150,270,575.15	
Total		673,700,840.22	334,213,778.05	355,633,797.65	227,941,430.67	1,591,489,846.59	1,421,599,148.88	

Items	Instant repayment	Balance as at the end of the previous year				Over 5 years	Total undiscounted contractual amount	Carrying amount
		Within 1 year	1-2 years	2-5 years				
Notes payable		997,944.00				997,944.00	997,944.00	
Bank borrowings		211,396,818.18	223,154,176.00	153,052,040.00	69,285,680.00	656,888,714.18	616,480,000.00	
Long-term payables		99,580,000.00	28,954,752.75	26,076,534.51		154,611,287.26	103,099,208.53	
Total		311,974,762.18	252,108,928.75	179,128,574.51	69,285,680.00	812,497,945.44	720,577,152.53	

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IX. Risks related to financial instruments (continued)

(I) Various risks arise from financial instruments (continued)

3. Market risk

Market risk associated with financial instruments refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

(1) Interest rate risk

Interest rate risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

Interest-bearing financial instruments at fixed rates and at floating rates expose the Company to fair value interest risk and cash flow interest rate risk, respectively. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Company will use derivative financial instruments to hedge interest rate risk when necessary.

On December 31, 2023, the Company's long-term interest-bearing borrowings were mainly RMB denominated fixed-rate contracts.

(2) Exchange rate risk

Exchange rate risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in foreign exchange rate.

The Company continues to monitor the amount of transactions and assets and liabilities denominated in foreign currencies, to reduce foreign exchange risk to the greatest extent. In addition, the Company may enter into forward foreign exchange contracts or currency swap contracts to mitigate exchange rate risks. For the current period and the previous period, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IX. Risks related to financial instruments (continued)

(I) Various risks arise from financial instruments (continued)

3. Market risk (continued)

(2) Exchange rate risk (continued)

The exchange rate risk faced by the Company mainly sources from the financial assets and financial liabilities denominated in US dollars, and the foreign currency assets and foreign currency liabilities are equivalent to the amount denominated in RMB indicated as below:

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	US\$	HK\$	Total	US\$	HK\$	Total
Cash at bank and on hand	81,905.11	52,061.43	133,966.54	880,734.82	50,073.95	930,808.77
Total	81,905.11	52,061.43	133,966.54	880,734.82	50,073.95	930,808.77

On December 31, 2023, when all other variables remain unchanged, the net profits of the Company would increase or decrease by RMB4,019.00 (on December 31, 2022: RMB27,924.26) supposing that RMB to USD appreciates or depreciates by 3%. The management thinks that 3% reflects the reasonable range of the possible changes of RMB to USD in the next year.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

IX. Risks related to financial instruments (continued)

(I) Various risks arise from financial instruments (continued)

3. Market risk (continued)

(3) Other price risks

Other price risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risks arise primarily from investments in various equity instruments. There is the risk of changes in the prices of equity instruments.

On December 31, 2023, when all other variables remain unchanged, the net profits of the Company would increase or decrease by RMB2,269,330.55 (2022: Net profit of RMB1,893,506), supposing that the values of equity instruments increase or decrease by 3%, the management thinks that 3% reflects the reasonable range of the possible changes in the equity instruments in the next year.

X. Disclosure of fair value

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can acquire on the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

X. Disclosure of fair value (continued)

(I) Closing fair value of assets and liabilities measured at fair value

Item	Closing fair value			Total
	Measured at fair value at Level 1	Measured at fair value at Level 2	Measured at fair value at Level 3	
I. Continuous measurement of fair value				
◆ Financial assets held for trading			7,350,298.53	7,350,298.53
1. Financial assets measured at fair value through profit and loss			7,350,298.53	7,350,298.53
(1) Debt instrument investment				
(2) Investments in equity instruments			7,350,298.53	7,350,298.53
2. Financial asset designated to be measured at fair value through profit and loss				
◆ Other non-current financial assets			65,099,055.34	65,099,055.34
Total assets with continuous measurement of fair value			72,449,353.87	72,449,353.87
◆ Financial liabilities held for trading			12,400,000.00	12,400,000.00
1. Financial liabilities held for trading			12,400,000.00	12,400,000.00
(1) Trading bonds issued				
(2) Derivative financial liabilities				
(3) Others			12,400,000.00	12,400,000.00
2. Financial liabilities designated to be measured at fair value through profit and loss				
Total liabilities with continuous measurement of fair value			12,400,000.00	12,400,000.00

(II) Qualitative and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of level 3 on a going and non-going concern

- The financial assets held for trading and other non-current financial assets of the Company are equity instrument investments. Management prepares disclosures related to fair value based on verified valuation results, considering investment contract terms, realizable conditions, and parameters such as market to sales ratio, price to earnings ratio, liquidity discount and discount rate of underlying assets of related investment projects.
- Management appointed an independent appraiser to assess the fair value of the financial liabilities held for trading formed from the variable consideration in the equity transaction of Hangzhou Yining of the Company using the income approach, and the input values used include: average number of beds put into operation, average inpatient consumption per bed-day, net sales margin, net increase in working capital, capital expenditure, discount rate and perpetual growth rate, etc. The relevant valuations are independently verified and accounted for by the Company's financial personnel, and disclosures related to fair value are prepared based on the verified valuation results, refer to Note III. (XXXI) for details.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions

(I) Information of the parent company

The ultimate controlling parties of the Company are: Guan Weili and his spouse, Wang Lianyue

(II) Information of the Company's subsidiaries

Details of the Company's subsidiaries are set out in Note "VII. Interests in other entities".

(III) Information of the Company's joint ventures and associates

For details of the Company's significant joint ventures or associates, please refer to Note "VII. Interests in other entities".

The following joint ventures or associates entered into related party transactions with the Company during the period or had balances of related party transactions with the Company during the previous period:

Name of joint venture or associate	Relationship with the Company
Hangzhou Anken Medical Technology Co., Ltd.	Associate of the Company
Wenzhou Longwan Yining Hospital Co., Ltd.	Associate of the Company
Zhejiang Huangfeng Hospital Management Co., Ltd.	Associate of the Company
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	Associate of the Company
Chongqing Hechuan Kangning Hospital Co., Ltd.	Associate of the Company
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Associate of the Company

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(IV) Information of other related parties

Name of other related parties	Other related parties' relationship with the Company
Cai Wenqin	Non-controlling shareholder of subsidiaries of the Company
Chen Guanghong	Non-controlling shareholder of subsidiaries of the Company
Jiang Danping	Non-controlling shareholder of subsidiaries of the Company
Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership)	Non-controlling shareholder of subsidiaries of the Company
Shandong Furen Hospital Management Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Wang Hongyue	One of the substantial shareholders of the Company and an immediate family member of the ultimate controlling parties of the Company
Wu Lianxi	Non-controlling shareholder of subsidiaries of the Company
Wu Zihuang	Non-controlling shareholder of subsidiaries of the Company
Xu Xiuhu	Non-controlling shareholder of subsidiaries of the Company
Yiwu Mental Health Centre	Non-profit organisation invested by the Company with council members assigned
Zhejiang Tianqu Environment Construction Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Zhejiang Yangge Property Management Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Luonan Shanda Rehabilitation Hospital Co., Ltd.	Subsidiaries of the Company's associate

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(V) Information on related party transactions

1. Related party transactions on purchase or sale of goods and provision or acceptance of services

Statement of purchases of goods/acceptance of services

Related party	Related party transaction particulars	Amount for the current period	Transaction cap approved	Whether exceeding transaction cap	Amount for the previous period
Wu Zihuang	Interest expenses	62,492.04			
Wu Lianxi	Interest expenses	261,708.62			
Hangzhou Anken Medical Technology Co., Ltd.	Purchase of medicines	88,727.40			
	Genetic testing fee	285,284.00			
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Acceptance of services	1,125,496.02			
	Purchase of medicines	388,089.38			
	Acceptance of services	650.00			

Statement of sales of goods/provision of services

Related party	Related party transaction particulars	Amount for the current period	Amount for the previous period
Hangzhou Yining Hospital Co., Ltd.	Provision of services	61,320.76	
	Interest income	1,456,030.66	1,472,112.00
Wenzhou Longwan Yining Hospital Co., Ltd.	Interest income	790,027.40	
Hangzhou Anken Medical Technology Co., Ltd.	Pharmaceutical sales	193,990.06	
Luonan Shanda Rehabilitation Hospital Co., Ltd.	Provision of services	635,000.00	
Yiwu Mental Health Centre	Medical management service	2,970,297.00	3,000,000.00

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

2. Money lending of related parties

Related parties	Placement amount	Commencement date	Expiry date	Description
Placements from banks and other financial institutions				
Wu Zihuang	900,000.00	2023/1/14	2024/1/14	
Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership)	5,000,000.00	2019/10/11	2020/8/11	Non-repayment
Chongqing Hechuan Kangning Hospital Co., Ltd.	2,000,000.00	2023/6/7	2024/6/7	
Guan Weili	15,323,030.57	2021/6/28	2022/6/8	Non-repayment
Luonan Shanda Rehabilitation Hospital Co., Ltd.	1,095,000.00	2023/9/29	-	
Zhejiang Yangge Property Management Co., Ltd.	3,108,250.00	2022/6/13	-	
Xu Xiuhu	2,000,000.00	2022/6/15	2023/6/14	Non-repayment
Chen Guanghong	1,000,000.00	2022/6/15	2023/6/14	The principal repaid, but the interest not yet repaid
Placements with banks and other financial institutions				
Wenzhou Longwan Yining Hospital Co., Ltd.	13,500,000.00	2023/1/10	2026/1/9	
Hangzhou Yining Hospital Co., Ltd.	33,273,577.42	2020/11/19	2023/5/18	Repayment agreement signed

3. Remuneration of Key management

Item	Amount for the current period	Amount for the previous period
Wages and salaries, and bonus	8,642,653.48	7,282,689.67
Share-based payment		4,622,986.31

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

4. Related party guarantees

The Company acts as a guarantor

Name of guaranteed party	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee
				has been fulfilled
Yongjia Kangning Hospital Co., Ltd.	14,660,000.00	2019/9/10	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	10,280,000.00	2020/1/1	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	3,320,000.00	2020/12/22	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	2,200,000.00	2020/9/27	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	2,200,000.00	2020/9/27	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	3,050,000.00	2021/3/1	2029/8/20	No
Yongjia Kangning Hospital Co., Ltd.	3,050,000.00	2021/3/1	2029/8/20	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	45,000,000.00	2023/7/3	2037/12/31	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	15,000,000.00	2023/7/31	2037/12/31	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	10,116,550.00	2023/10/25	2037/12/31	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	5,007,200.00	2023/11/24	2037/12/31	No
Qingtian Kangning Hospital Co., Ltd.	5,000,000.00	2020/3/25	2024/12/20	No
Qingtian Kangning Hospital Co., Ltd.	17,500,000.00	2020/5/22	2024/12/20	No
Quzhou Yining Hospital Co., Ltd.	60,000,000.00	2023/10/9	2031/10/9	No
Quzhou Yining Hospital Co., Ltd.	2,000,000.00	2023/3/31	2024/3/29	No
Linhai Cining Hospital Co., Ltd.	26,000,000.00	2023/4/3	2032/3/2	No

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

4. Related party guarantees (continued)

The Company acts as the guaranteed party

Name of guarantor	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Yongjia Kangning Hospital Co., Ltd.	200,000,000.00	2022/1/14	2026/12/24	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	200,000,000.00	2022/1/14	2026/12/24	No
Cangnan Kangning Hospital Co., Ltd.	200,000,000.00	2022/1/14	2026/12/24	No
Cangnan Kangning Hospital Co., Ltd.	66,474,000.00	2022/1/14	2026/12/10	No
Yueqing Kangning Hospital Co., Ltd.	200,000,000.00	2022/1/14	2026/12/24	No
Guan Weili and Wang Lianyue	24,000,000.00	2020/6/30	2027/6/30	No
Guan Weili, Wang Hongyue and Wang Lianyue	79,642,127.25	2021/11/29	2028/11/29	No
Guan Weili, Wang Hongyue, Wang Lianyue, and Xu Yi	180,950,000.00	2020/10/26	2026/10/25	No
Guan Weili	70,000,000.00	2023/11/8	2026/11/15	No
Guan Weili and Wang Lianyue	135,000,000.00	2023/12/14	2024/12/14	No
Guan Weili, Wang Lianyue and Wang Hongyue	14,660,000.00	2019/9/10	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	10,280,000.00	2020/1/1	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	3,320,000.00	2020/12/22	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	2,200,000.00	2020/9/27	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	2,200,000.00	2020/9/27	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	3,050,000.00	2021/3/1	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	3,050,000.00	2021/3/1	2029/8/20	No
Guan Weili, Wang Lianyue and Wang Hongyue	45,000,000.00	2023/7/3	2037/12/31	No
Guan Weili, Wang Lianyue and Wang Hongyue	15,000,000.00	2023/7/31	2037/12/31	No
Guan Weili, Wang Lianyue and Wang Hongyue	10,116,550.00	2023/10/25	2037/12/31	No
Guan Weili, Wang Lianyue and Wang Hongyue	5,007,200.00	2023/11/24	2037/12/31	No
Guan Weili, Wang Lianyue and Wang Hongyue	5,000,000.00	2020/3/25	2024/12/20	No

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(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

4. Related party guarantees (continued)

The Company acts as the guaranteed party

Name of guarantor	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Guan Weili, Wang Lianyue and Wang Hongyue	17,500,000.00	2020/5/22	2024/12/20	No
Guan Weili, Zhejiang Tianqu Environment Construction Co., Ltd. and Zhejiang Yangge Property Management Co., Ltd.	60,000,000.00	2023/10/9	2031/10/9	No

Notes to the Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(VI) Receivables from and payables to related parties and other unsettled items

1. Receivables

Items	Related parties	Balance as at the end of the period		Balance as at the end of the previous year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Hangzhou Yining Hospital Co., Ltd.	65,000.00	3,250.00		
	Hangzhou Anken Medical Technology Co., Ltd.	1,522.85	15.23		
	Luonan Shanda Rehabilitation Hospital Co., Ltd. (洛南善達康復醫院有限公司)	635,000.00	6,350.00		
	Yiwu Mental Health Centre (義烏精神衛生中心)	12,000,000.00	5,520,000.00	9,500,000.00	2,600,000.00
Other receivables					
	Hangzhou Yining Hospital Co., Ltd.	23,709,977.64	17,002,735.51	33,797,440.36	1,689,872.02
	Wenzhou Longwan Yining Hospital Co., Ltd.	14,290,027.40	714,501.37		
	Sichuan Hongji Pharmaceutical Co., Ltd. (四川省宏濟藥業有限責任公司)	10,204,311.69	10,204,311.69		
	Wang Changsheng (汪長勝)	3,490,447.08	3,490,447.08		
	Hangzhou Anken Medical Technology Co., Ltd.	16,836.66	841.83		
	Chen Guanghong (陳光洪)	100,000.00	1,000.00	100,000.00	1,000.00
	Xu Xiuhu (徐秀虎)	80,004.00	800.04	112,113.50	1,121.14
	Cai Wenqin (蔡文琴)	105,187.50	5,259.38	93,187.50	4,659.38
	Jiang Danping (江丹平)	479,707.50	23,985.38	455,947.50	22,797.38
Other non-current assets					
	Zhejiang Huangfeng Hospital Management Co., Ltd.			6,936,000.00	

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For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(VI) Receivables from and payables to related parties and other unsettled items (continued)

2. Payables

Items	Related parties	Book balance as at the end of the period	Book balance as at the end of the previous year
Accounts payable			
	Hangzhou Anken Medical Technology Co., Ltd	167,677.40	
Other payables			
	Wu Lianxi	3,702,846.16	3,441,137.54
	Wu Zihuang	962,492.04	
	Shandong Furen Hospital Management Co., Ltd.	3,599,626.28	
	Luonan Shanda Rehabilitation Hospital Co., Ltd.	1,095,000.00	
	Chongqing Hechuan Kangning Hospital Co., Ltd.	2,021,750.00	
	Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (寧波梅山保稅港區寬展投資管理(合夥企業))	6,347,133.33	
	Guan Weili	16,997,627.91	
	Zhejiang Yangge Property Management Co., Ltd. (浙江仰格物業管理有限公司)	3,108,250.00	2,508,250.00
	Chen Guanghong	94,276.16	1,056,515.08
	Xu Xiuhu	2,261,567.19	2,117,567.15
	Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (寧波梅山保稅港區寬展投資管理(合夥企業))	291,842.74	291,842.74
	Hangzhou Yining Hospital Co., Ltd.	93,142.79	93,142.79
	Zhejiang Huangfeng Hospital Management Co., Ltd.	1,333,441.75	19,983.98

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(VII) Interests and equity of the Directors

In 2023, the emoluments of each director, supervisor and chief executive were shown below:

Name	Emoluments	Salaries and subsidies	Contributions to social security plans	Bonus	Other welfare	Total
Executive directors						
Guan Weili		402,360.00	75,696.30	97,374.40	5,300.00	580,730.70
Wang Lianyue		468,584.00		131,416.00	58,800.00	658,800.00
Wang Jian		563,500.00	76,163.50	180,500.00	64,400.00	884,563.50
Non-executive directors						
Qin Hao						
Li Changhao						
Independent directors						
Liu Ning	35,000.00					35,000.00
Zhong Wentang	70,000.00					70,000.00
Zhao Xudong	35,000.00					35,000.00
Jin Ling	35,000.00					35,000.00
Chan Sai Keung						
Hugo	35,000.00					35,000.00
Supervisors						
Qian Chengliang						
Xu Yongjiu						
Sun Fangjun						
Xu Ning		284,640.00	58,794.40	74,331.82	24,480.00	442,246.22
Xie Tiefan		90,720.00	43,605.90	84,131.20	6,500.00	224,957.10
Total	210,000.00	1,809,804.00	254,260.10	567,753.42	159,480.00	3,001,297.52

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(VII) Interests and equity of the Directors (continued)

In 2022, the emoluments of each director, supervisor and chief executive were shown below:

Name	Emoluments	Salaries and subsidies	Contributions to social security plans	Bonus	Other welfare	Total
Executive directors						
Guan Weili		413,976.00	70,950.72	79,754.00	2,000.00	566,680.72
Wang Lianyue		516,000.00		96,000.00	71,000.00	683,000.00
Wang Hongyue		231,450.00	50,888.16		600.00	282,938.16
Non-executive directors						
Qin Hao					-	-
Li Changhao						
Independent directors						
Zhao Xudong	70,000.00					70,000.00
Zhong Wentang	70,000.00					70,000.00
Liu Ning	70,000.00					70,000.00
Supervisors						
Qian Chengliang						
Xu Yongjiu						
Sun Fangjun						
Xu Ning	-	313,320.00	56,939.80	36,000.00	32,200.00	438,459.80
Xie Tiefan	-	98,760.00	40,146.72	67,954.00	3,485.45	210,346.17
Total	210,000.00	1,573,506.00	218,925.40	279,708.00	109,285.45	2,391,424.85

(VIII) Five Individuals with Highest Remunerations

In 2023, five individuals with highest remunerations of our Company include 2 directors (2022: 2), whose remunerations are reflected in below table:

Items	Amount for the current period	Amount for the previous period
Wages and salaries, bonus, housing allowance and other subsidies	4,673,793.71	3,764,039.10
Share-based payments		4,109,519.26
Total	4,673,793.71	7,873,558.36

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XI. Related parties and related party transactions (continued)

(VIII) Five Individuals with Highest Remunerations (continued)

Remuneration band	Number of individuals for the current period	Number of individuals for the previous period
500,000-1,000,000.00	4	1
Over 1,000,000.00	1	4
Total	5	5

XII. Share-based payment

(I) Summary of share-based payment

Total equity instruments of the Company granted in the current period:

On June 13, 2018, the Company held its annual shareholders' meeting of 2018 and approved Wenzhou Kangning Hospital Equity Payment Plan 2018, which authorised the Board to handle the Company's employee share incentive plan. The Board of the Company reviewed and approved Proposal on the Granting of Restricted Shares to Incentive Objects on June 29, 2018 and August 20, 2018, respectively. The Company prepared to establish five employee share ownership platforms, including Wenzhou Zhenyan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiamei Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Enquan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiata Kangning Investment Management Partnership (Limited Liabilities Partnership) and Wenzhou Shouwang Kangning Investment Management Partnership (Limited Liabilities Partnership), and issue 2,460,000 domestic shares to these employee share ownership platforms at an issue price of RMB10.47 per share. As of December 31, 2020, there were 1,919,771 shares granted and 540,229 shares reserved.

On April 16, 2021, the eighth meeting of the third session of the Board of the Company reviewed and approved Proposal on the Granting of Restricted Stocks to the Third Phase Incentive Objects under the Restricted Share Incentive Plan, pursuant to which the Board of the Company agreed to take April 16, 2021 as the grant date, and grant the remaining 540,229 incentive stocks to 13 third phase participants who met the conditions for such grant at a grant price of RMB10.47 per share.

Total exercised equity instruments of the Company in the current period: nil

Total invalid equity instruments of the Company in the current period: nil

Range of exercise prices and remaining contractual period for other equity instruments of the Company at the end of the period:

The range of exercise price of other equity instruments at the end of the period can be referred to the transaction price among shareholders during the period, based on a total locked-up period of 48 months, which expired in July 2022.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XII.Share-based payment (continued)

(II) Equity-settled share-based payment

Method for determining the fair value of equity instruments at the grant date:

The Company engaged a professional appraisal institution to assess the fair value of the equity instruments at the grant date. The fair value of the equity instruments granted in the current period was assessed by reference to the transaction price among the shareholders of the Company of RMB30 per share.

Method for determining the best estimate of the number of exercisable equity instruments:

In June 2021, the Board of the Company reviewed and approved Proposal on Further Amendments to the Equity Incentive Plan, which cancelled the performance appraisal requirements of the Equity Incentive Plan. Therefore, only the in-service requirement during the locked-up period would affect the number of exercisable equity instruments, so the best estimate of the number of exercisable instruments was made based on the relevant severance rate.

Reasons for significant difference between current estimate and previous estimate: nil

Accumulated amount of equity-settled share-based payment included in the capital surplus:

As at December 31, 2023, the accumulated amount of equity-settled share-based payment included in the capital surplus was RMB44,857,374.20.

No equity-settled share-based payment was incurred in the current period.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XIII. Commitments and Contingencies

(I) Significant commitments

1. Commitments for capital expenditures

The following are commitments for asset-based expenditures contracted by the Company as of the balance sheet date that are not yet required to be shown on the balance sheet:

	December 31, 2023	December 31, 2022
House, building & equipment	122,040,000.00	
Total	122,040,000.00	

2. Outward investment commitments

As of December 31, 2023, the Company had no commitments for outward investments.

(II) Contingencies

The Company had no significant contingencies that needed to be disclosed.

XIV. Events after the balance sheet date

(I) Profit distribution

On March 28, 2024, the Board of Directors proposed to pay final dividends of RMB22,380,090 for the year ended December 31, 2023, which were calculated on the basis of 74,600,300 issued shares of the Company as of December 31, 2023. The proposed dividend payment is subject to approval at the annual general meeting.

(II) Description of other events after the balance sheet date

None.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XV. Capital management

The main objectives of the Company's capital management are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders on an on-going basis;
- to price the products and services according to the risk level, so as to provide sufficient returns to shareholders.

The Company sets a capital that is proportional to the risk. The capital structure is managed and adjusted according to the change of the economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Company monitors capital on the basis of an adjusted debt/capital ratio.

As at the balance sheet date, the adjusted debt/capital ratio was as follows:

	Balance as at the end of the period	Balance as at the end of the previous year
Debt/capital ratio	53.93%	49.73%

XVI. Other significant events

(I) Segment Information

Each segment of the Company provides different products and services or engages in business operations at different areas. Due to the demands of each segment for different technology and market strategy, the Company's management monitors different segments in respect of their business activities separately, and evaluates their operating results on a regular basis in order to allocate resources and evaluate performance.

As the Company transferred its equity interest in Wenzhou Guoda Investment in June 2021, the Company had only one reporting segment.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVI. Other significant events (continued)

(II) Main impact of the implementation of Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2023 Revision)

In preparing these financial statements, the Company disclosed relevant financial information in accordance with the requirements of Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2023 Revision) issued by the China Securities Regulatory Commission on December 22, 2023, and the implementation of the provisions has not had a material impact on the disclosure format of major financial data for other items for comparable accounting periods.

(III) Other significant issues which influence the decision-making of investors

In order to attract and motivate core technical backbones and management personnel with rich skills and experience, so as to retain such personnel to continue to serve the Company's future continuous operation and development, the Company, in accordance with the provisions of the Company Law of the People's Republic of China and other relevant laws, administrative regulations, normative documents and the Articles of Association of the Company, has formulated the H Share Award and Trust Scheme, which was considered and approved by the Company at the 2023 first extraordinary general meeting held on September 27, 2023. Pursuant to the H Share Award and Trust Scheme, the Company entered into a trust contract with the trustee to establish a trust for the purpose of serving the H Share Award and Trust Scheme, and the trustee assists in the administration of the H Share Award and Trust Scheme and, subject to compliance with the trust contract and the Company's instructions, purchases the H Shares of the Company by way of on-exchange transactions, which would be purchased through remittance to the trust by the Company and retained and disposed of by the trustee in accordance with the Company's instructions. Such H Shares of the H Share Award and Trust Scheme shall not exceed 5% of the total share capital of the Company following the date on which the mandate of the H Share Award and Trust Scheme is approved or at the date on which the approval of updating the limit is obtained, representing 3,730,015 shares. The awards granted to the selected participants shall be held by the trustee on behalf of the selected participants and the trustee shall release the award shares from the trust to the selected participants at the instruction of the Board and/or its authorized persons for the purpose of vesting the awards, or sell the award shares by way of on-exchange transactions at the prevailing market price in accordance with the provisions of the H Share Award and Trust Scheme and the terms of the relevant trust contract and pay the amount of sales to the selected participants.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company

(I) Accounts receivable

1. Aging disclosure of accounts receivable by date of entry

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	48,552,078.47	49,024,983.98
1-2 years	257,315.13	709,878.26
2-3 years	709,878.26	1,158,221.95
Over 3 years	3,906,521.87	2,748,299.92
Sub-total	53,425,793.73	53,641,384.11
Less: Provision for bad debts	5,359,236.04	5,361,391.95
Total	48,066,557.69	48,279,992.16

The aging analysis of the Company's accounts receivable is based on the month in which the amounts are actually incurred, and those that are incurred first are given priority for settlement when the funds are recovered.

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

2. Accounts receivable disclosed by classification of provision for bad debts

Category	Balance as at the end of the period		Balance as at the end of the previous year	
	Book balance	Proportion of Provision for bad debts	Book balance	Proportion of Provision for bad debts
	Amount	(%)	Amount	(%)
Provision for bad debts on individual basis	4,873,715.26	9.12	4,873,715.26	100.00
Including:				
Medical fees due from patients	4,873,715.26	9.12	4,873,715.26	100.00
Provision for bad debts based on a combination of credit risk characteristics	48,552,078.47	90.88	485,520.78	1.00
Including:				
Overdue days grouping	48,552,078.47	90.88	485,520.78	1.00
Total	53,425,793.73	100.00	5,359,236.04	/
			48,066,557.69	90.91
			48,767,668.85	90.91
			487,676.69	1.00
			487,676.69	1.00
			5,361,391.95	/
			48,279,992.16	/

Significant accounts receivable provided for bad debts on individual basis:

Item	Balance as at the end of the period		Balance as at the end of the previous year	
	Book balance	Proportion of Provision for bad debts	Book balance	Proportion of Provision for bad debts
	Amount	(%)	Amount	(%)
Medical fees due from patients	4,873,715.26	100.00	4,873,715.26	100.00
Total	4,873,715.26	/	4,873,715.26	/
			unrecoverable	4,873,715.26
			Expected	4,873,715.26

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

2. Accounts receivable disclosed by classification of provision for bad debts (continued)

Provision for bad debts based on a combination of credit risk characteristics:

Item with provision on grouping basis:

Item	Balance as at the end of the period		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Overdue days grouping	48,552,078.47	485,520.78	1.00
Total	48,552,078.47	485,520.78	

3. Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Provided for	Changes in the current period			Balance as at the end of the period
			Recovered or reversed	Written-back or written-off	Other changes	
Provision for bad debts on individual basis	4,873,715.26					4,873,715.26
Provision for bad debts on grouping basis	487,676.69	-2,155.91				485,520.78
Total	5,361,391.95	-2,155.91				5,359,236.04

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest receivable		
Dividends receivable	14,400,000.00	53,000,000.00
Other receivables	586,048,325.58	547,014,558.58
Total	600,448,325.58	600,014,558.58

1. Dividends receivable

(1) Breakdown of dividend receivable

Investees	Balance as at the end of the period	Balance as at the end of the previous year
Cangnan Kangning Hospital Co., Ltd.	4,400,000.00	33,000,000.00
Yueqing Kangning Hospital Co., Ltd.		10,000,000.00
Qingtian Kangning Hospital Co., Ltd.	10,000,000.00	10,000,000.00
Sub-total	14,400,000.00	53,000,000.00
Less: Provision for bad debts		
Total	14,400,000.00	53,000,000.00

2. Other receivables

(1) Disclosed by aging

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	552,853,728.97	249,636,171.19
1-2 years	34,594,797.65	237,554,656.40
2-3 years	496,167.22	29,146,078.54
Over 3 years	908,479.96	30,904,134.11
Sub-total	588,853,173.80	547,241,040.24
Less: Provision for bad debts	2,804,848.22	226,481.66
Total	586,048,325.58	547,014,558.58

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

2. Other receivables (continued)

(2) Disclose by classification method of bad debts

Category	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Proportion (%)	Provision for bad debts	Book balance	Proportion (%)	Provision for bad debts
	Amount		Amount	Amount		Amount
Provision for bad debts based on a combination of credit risk characteristics	588,853,173.80	100.00	2,804,848.22	586,048,325.58	100.00	226,481.66
Including:						
Aging grouping	75,462,768.59	12.82	2,804,848.22	8,071,564.48	1.47	226,481.66
Amounts from related parties within the scope of consolidation	513,390,405.21	87.18		539,169,475.76	98.53	
Total	588,853,173.80	100.00	2,804,848.22	586,048,325.58	100.00	226,481.66
						539,169,475.76
						547,014,558.58

Provision for bad debts based on a combination of credit risk characteristics:

Item with provision on grouping basis:

Item	Balance as at the end of the period	
	Other receivables	Provision for bad debts
	Amount	Proportion (%)
Aging grouping	75,462,768.59	2,804,848.22
Amounts from related parties within the scope of consolidation	513,390,405.21	3.72
Total	588,853,173.80	2,804,848.22
		/

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

2. Other receivables (continued)

(3) Provision for bad debts

	Stage I	Stage II	Stage III	
	12-month	Lifetime ECL	Lifetime ECL	Total
Provision for bad debts	ECL	(No credit impairment)	(Credit-impaired)	
Balance as at the end of the previous year	226,481.66			226,481.66
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision for the current period	2,578,366.56			2,578,366.56
Reversal in the current period				
Written back in the current period				
Written off in the current period				
Other changes				
Balance as at the end of the period	2,804,848.22			2,804,848.22

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For the year of 2023

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XVII. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

2. Other receivables (continued)

(3) Provision for bad debts (continued)

Changes in the book balance of other receivables are as follows:

	Stage I	Stage II	Stage III	Total
	12-months ECL	Lifetime ECL (No credit impairment)	Lifetime ECL (Credit-impaired)	
Book balance				
Balance as at the end of the previous year	547,241,040.24			547,241,040.24
Balance as at the end of the previous year that transferred/ reversed in the current period				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Addition for the current period	41,612,133.56			41,612,133.56
Derecognition for the current period				
Other changes				
Balance as at the end of the period	588,853,173.80			588,853,173.80

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

2. Other receivables (continued)

(4) Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Changes in the current period			Other changes	Balance as at the end of the period
		Provided for	Recovered or reversed	Written- back or written-off		
Provision for bad debts on the grouping	226,481.66	2,578,366.56				2,804,848.22
Total	226,481.66	2,578,366.56				2,804,848.22

(5) Other receivables by nature

Nature	Book balance at the end of the period	Book balance as at the end of the previous year
Amounts from related parties within the scope of consolidation	513,390,405.21	507,207,052.64
Placements	20,480,175.04	33,132,118.55
Deposits and guarantees	5,920,030.00	5,933,350.00
Others	767,065.13	968,519.05
Amounts from related parties without the scope of consolidation	48,295,498.42	
Total	588,853,173.80	547,241,040.24

(III) Long-term equity investments

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	691,561,513.66		691,561,513.66	649,079,592.72		649,079,592.72
Investments in associates, joint venture	94,421,925.51		94,421,925.51	92,882,992.81		92,882,992.81
total	785,983,439.17		785,983,439.17	741,962,585.53		741,962,585.53

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For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments (continued)

1. Investments in subsidiaries

Investees	Balance as at the end of the previous year	Balance of the impairment provision as at the end of the previous year		Increase/decrease in the current period			Others	Balance of the impairment provision as at the end of the period	
		at the end of the previous year	at the end of the previous year	Increase in investment	Decrease in investment	Provision for impairment for the current period		Balance as at the end of the period	provision as at the end of the period
Shenzhen Yining Medical Investment Co., Ltd.	10,354,979.06				10,354,979.06				
Loudi City Kangle Kangning Hospital Co., Ltd.			15,500,000.00					15,500,000.00	
Wenzhou Kangning Judicial Forensic Centre	500,000.00							500,000.00	
Zhejiang Kangning Hospital Management Co., Ltd.	204,666,253.87							204,666,253.87	
Cangnan Kangning Hospital Co., Ltd.	52,697,737.50		40,000,000.00	40,000,000.00				52,697,737.50	
Yueqing Kangning Hospital Co., Ltd.	2,133,258.38							2,133,258.38	
Yongjia Kangning Hospital Co., Ltd.	27,687,093.11							27,687,093.11	
Qingtian Kangning Hospital Co., Ltd.	32,856,644.25							32,856,644.25	
Linhai Kangning Hospital Co., Ltd.	2,299,071.39		2,500,000.00					4,799,071.39	
Wenzhou Cining Hospital Co., Ltd.	53,500,000.00							53,500,000.00	
Wenzhou Lucheng Yining Hospital Co., Ltd.	30,000,000.00		10,800,000.00					40,800,000.00	
Wenzhou Ouhai Yining Rehabilitation Hospital Co., Ltd.	10,000,000.00							10,000,000.00	
Pingyang Changgeng Yining Hospital Co., Ltd.	154,744,700.00							154,744,700.00	
Jinyun Shuning Hospital Co., Ltd.	26,684,900.00		2,366,900.00					29,051,800.00	

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For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments (continued)

1. Investments in subsidiaries (continued)

Investees	Balance of the impairment		Increase/decrease in the current period			Balance of the impairment	
	Balance as at the end of the previous year	provision as at the end of the previous year	Increase in investment	Decrease in investment	Provision for the impairment for the current period	Others	Balance as at the end of the period
Yueqing Yining integrated Traditional and Western Medicine Hospital Co., Ltd.	40,954,955.16						40,954,955.16
Dongkou Lening Hospital Co., Ltd.			14,510,000.00				14,510,000.00
Wenzhou Kangning Psychological Consulting Co., Ltd.			500,000.00				500,000.00
Jiaxing Jiulikang Zizheng Equity Investment Partnership (Limited Partnership)			6,660,000.00				6,660,000.00
Total	649,079,592.72		92,836,900.00	50,354,979.06			691,561,513.66

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments (continued)

2. Investments in associates, joint venture

Investees	Balance as at the end of the previous year	Balance of the impairment provision as at the end of the previous year	Increase/decrease in the current period					Balance as at the end of the period
			Investment profit/loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Cash dividends or profits declared and paid	Impairment provision	
Associates								
Hangzhou Anken Medical Technology Co., Ltd.	14,179,350.14		1,839,534.84					16,018,884.98
Wenzhou Longwan Yiming Hospital Co., Ltd.	57,600,000.00		-758,567.14					56,841,432.86
Zhejiang Huangfeng Hospital Management Co., Ltd.	21,103,642.67		457,965.00					21,561,607.67
Total	92,882,992.81		1,538,932.70					94,421,925.51

Notes to the Financial Statements

For the year of 2023

(All amounts in RMB Yuan unless otherwise stated)

XVII. Notes to major items in the financial statements of the parent company (continued)

(IV) Revenue and cost of sales

1. Revenue and cost of sales

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	380,358,202.27	269,941,680.92	337,586,514.02	264,978,847.50
Other businesses	6,967,659.63		5,554,936.61	45,300.00
Total	387,325,861.90	269,941,680.92	343,141,450.63	265,024,147.50

2. Description of performance obligations

Item	Time for fulfilment of obligations	Significant payment terms	Nature of the Company's transfer of the promised goods	Whether the Company is acting as principal	Amounts assumed by the Company that are expected to be refunded to customers	Types of quality assurance provided by the Company and relevant obligations
Treatments and healthcare services	At a point in time as services are rendered	Medical insurance settlement	Diagnosis, healthcare services	Yes	None	None

The performance obligation of treatments and healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

(V) Investment income

Item	Amount for the current period	Amount for the previous period
Income from long-term equity investments under the cost method	35,000,000.00	54,584,000.00
Income from long-term equity investments under the equity method	1,538,932.70	-5,377,605.11
Investment income from disposal of long-term equity investments	-1,946,692.33	-18,462.42
Investment income from financial liabilities held for trading during the holding period	-299,668.37	714,348.18
Total	34,292,572.00	49,902,280.65

Wenzhou Kangning Hospital Co., Ltd.

(Stamped with official seal)

March 28, 2024

Definitions

“AGM”	the annual general meeting of the Company for the year 2023 to be convened and held on May 30, 2024
“Articles”	the articles of association of the Company, as amended, modified or supplemented from time to time
“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 of Directors” or “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
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules
“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
“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
“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 Hong Kong Stock Exchange (Stock Code: 2120)
“Controlling Shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules and in this annual report, refers to Mr. GUAN Weili and Ms. WANG Lianyue

Definitions

“CSRC”	the China Securities Regulatory Commission
“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
“Geriatric Hospital”	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the wholly owned subsidiaries indirectly held by the Company, whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment
“Group” or “we” or “our”	the Company and its subsidiaries
“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“HK\$” or “HKD”	the lawful currency of Hong Kong

Definitions

“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 as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Share(s)”	Non-tradable and non-listed Domestic Shares granted under the Equity Incentive Scheme for subscription by the Participants through the employees’ shareholding platform. According to the provisions under the Equity Incentive Scheme regarding Incentive Shares held by the Participants through the employees’ shareholding platform, those Incentive Shares shall include the additional Shares in the event of conversion of capital reserve into share capital, bonus issues, share sub-division, etc. by the Company, whether or not the Incentive Shares are already unlocked
“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
“Latest Practicable Date”	April 23, 2024, being the latest practicable date for inclusion of certain information in this annual report prior to its publication
“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

Definitions

“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
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-competition Agreement”	the non-competition agreement dated May 11, 2015 entered into by the Company and the Controlling Shareholders
“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021, one of the Company’s wholly owned subsidiaries
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this annual report, excludes Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People’s Congress of the PRC on December 28, 2013 and effective on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)
“Proposed Final Dividend”	the proposed final dividend distribution plan of RMB3 (inclusive of tax) per 10 Shares for the year ended December 31, 2023 subject to the approval by the Shareholders at the AGM as described under the section headed “Proposed Final Dividend” of this annual report
“Prospectus”	the prospectus of the Company dated November 10, 2015
“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

Definitions

“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
“The Reporting Period” or “Reporting Period” or “during the Reporting Period”	the year ended December 31, 2023
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Strategy and Risk Management Committee”	the strategy and risk management committee of the Board
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Supervisor(s)”	the members of the Supervisory Committee
“Supervisory Committee”	the Company’s Supervisory Committee established pursuant to the PRC Company Law

Definitions

“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s wholly owned subsidiaries
“Wenzhou Ouhai Yining Elderly Hospital”	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd. (溫州甌海怡寧老年醫院有限公司), a company established in China with limited liability on March 8, 2021, one of the non-wholly owned subsidiaries of the Company
“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. (怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company’s indirect non-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

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