



弘和仁愛

HOSPITAL CORPORATION

弘和仁愛醫療集團有限公司
Hospital Corporation of China Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3869



2025

ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Shuai (陳帥) (*Chairman and Acting Chief Executive Officer*)
Mr. Pu Chengchuan (蒲成川)
Ms. Pan Jianli (潘建麗)

Non-executive Directors

Ms. Liu Lu (劉路)
Ms. Wang Nan (王楠)

Independent Non-executive Directors

Mr. Dang Jinxue (党金雪)
Mr. Shi Luwen (史錄文)
Mr. Zhou Xiangliang (周向亮)

AUDIT COMMITTEE

Mr. Zhou Xiangliang (周向亮) (*Chairman*)
Mr. Shi Luwen (史錄文)
Mr. Dang Jinxue (党金雪)

REMUNERATION COMMITTEE

Mr. Dang Jinxue (党金雪) (*Chairman*)
Mr. Pu Chengchuan (蒲成川)
Mr. Zhou Xiangliang (周向亮)

NOMINATION COMMITTEE

Mr. Chen Shuai (陳帥) (*Chairman*)
Ms. Pan Jianli (潘建麗)*
Mr. Dang Jinxue (党金雪)
Mr. Shi Luwen (史錄文)
Mr. Zhou Xiangliang (周向亮)*

COMPANY SECRETARY

Ms. Ho Wing Yan (何詠欣) (*ACG, HKACG(PE)*)

AUTHORISED REPRESENTATIVES

Mr. Chen Shuai (陳帥)
Ms. Ho Wing Yan (何詠欣) (*ACG, HKACG(PE)*)

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
(the “**Stock Exchange**”)
Stock Code: 3869

HEAD OFFICE IN THE PEOPLE’S REPUBLIC OF CHINA

Hospital Corporation of China Limited (the “**Company**”
and together with its subsidiaries, the “**Group**”,
“**we**”, “**our**” and “**us**”)
4th Floor, Air China Century Plaza
No.40, Xiaoyun Road, Chaoyang District, Beijing
The People’s Republic of China (“**PRC**”)

* Ms. Pan Jianli and Mr. Zhou Xiangliang were appointed as members of the Nomination Committee on 26 March 2025.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 10, 70/F.
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Uglund House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

www.hcclhealthcare.com

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	The year ended 31 December 2025		The year ended 31 December 2024		The year ended 31 December 2023		The year ended 31 December 2022		The year ended 31 December 2021	
	RMB'000	%	RMB'000 (restated)	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	1,471,013	100.0	1,442,292	100.0	1,427,733	100.0	1,142,951	100.0	520,290	100.0
Cost of revenue	(1,203,394)	(81.8)	(1,166,473)	(80.9)	(1,188,373)	(83.2)	(992,073)	(86.8)	(306,063)	(58.8)
Gross profit	267,619	18.2	275,819	19.1	239,360	16.8	150,878	13.2	214,227	41.2
Selling expenses	(17)	(0.0)	(161)	(0.0)	(1,568)	(0.1)	(344)	(0.0)	(2,006)	(0.4)
Administrative expenses	(121,150)	(8.2)	(108,954)	(7.6)	(129,232)	(9.1)	(95,158)	(8.3)	(95,872)	(18.4)
Impairment losses on financial assets, net	(39,068)	(2.7)	(21)	(0.0)	884	0.1	(1,867)	(0.2)	(26,477)	(5.1)
Impairment losses on intangible assets	-	-	-	-	-	-	(460,283)	(40.3)	(551,981)	(106.1)
Other gains/(losses), net	-	-	-	-	-	-	(137,156)	(12.0)	19,854	3.8
Other income	13,886	0.9	15,178	1.1	18,394	1.3	5,942	0.5	7,181	1.4
Operating profit/(loss)	121,270	8.2	181,861	12.6	127,838	9.0	(537,988)	(47.1)	(435,074)	(83.6)
Finance income/(costs)	65,323	4.4	(108,053)	(7.5)	88,366	6.2	5,360	0.5	(14,028)	(2.7)
Profit/(loss) before taxation	186,593	12.6	73,808	5.1	216,204	15.1	(532,628)	(46.6)	(449,102)	(86.3)
Income tax	(47,564)	(3.2)	(47,479)	(3.3)	(47,860)	(3.4)	4,031	0.4	86,706	16.7
Profit/(loss) for the year	139,029	9.4	26,329	1.8	168,344	11.8	(528,597)	(46.2)	(362,396)	(69.7)
Other comprehensive income for the year (after tax)	39,252	2.7	(30,614)	(2.1)	13,184	0.9	(2,781)	(0.2)	-	-
Total comprehensive income for the year	178,281	12.1	(4,285)	(0.3)	181,528	12.7	(531,378)	(46.5)	(362,396)	(69.7)

CONSOLIDATED ASSETS AND LIABILITIES

	As of 31 December				
	2025 RMB'000	2024 RMB'000 (restated)	2023 RMB'000 (restated)	2022 RMB'000	2021 RMB'000
Total assets	2,576,861	2,583,162	2,498,100	2,435,564	3,123,714
Total liabilities	1,856,033	2,006,539	1,897,939	1,992,136	1,987,887
Total equity	720,828	576,623	600,161	443,428	1,135,827

Dear Shareholders,

In 2025, China's healthcare service industry underwent accelerated structural reshaping amid deepening reforms. The full implementation of DRG/DIP payment reforms, the enhanced quality and pace of public medical consortium development, the continued optimisation of cross-provincial settlement of medical expenses, and the steady expansion of centralized procurement for pharmaceuticals and medical consumables marked the industry's official entry into a new stage of high-quality development focused on "enhancing quality and efficiency, and survival of the fittest". Confronted with profound challenges brought by these changes, the Group adhered steadfastly to its core strategy of "Strengthening the management and control system, enhancing asset quality, and exploring innovative business models". We consolidated our foundation amidst challenges, cultivated new opportunities amidst transformation, and steadily advanced the implementation and effectiveness of our various operational initiatives.

Withstanding Pressure to Consolidate Fundamentals: Securing the Group's Development Base

Optimising Business Structure and Enhancing Operational Efficiency

In 2025, navigating a complex external environment, the Group remained true to its core medical mission. We systematically implemented measures focusing on dimensions, such as discipline development and refined management, continuously improving business quality and efficiency while optimising our revenue structure. The hospitals owned, managed and founded by the Group (the "Group Hospitals") demonstrated strong operational resilience, evidenced by the steady increase in the proportion of revenue from medical services, a significant enhancement in the level of rational diagnosis and treatment, and further improvements in management efficiency.

Upholding Financial Prudence and Strictly Maintaining Operational Safety Bottom Lines

The Group continued to deepen its capital management system and persistently optimised its financial structure, leading to a steady decline in the gearing ratio. The successful extension of convertible bonds and a substantial improvement in the current ratio contributed to maintaining an overall stable and secure financial position. We further refined the group-wide procurement system to ensure the quality and stability of medical material supply. We increased investments in compliance and safety, conducting comprehensive inspections and rectifications of potential hazards, including fire safety and infrastructure, while engaging external professional resources for support, thereby firmly securing the bottom line of safety and compliance.

Deepening Digital and Intelligent Empowerment to Drive Management System Upgrades

The Group promoted the deep integration of information technology with core businesses, leveraging digital and intelligent tools to empower refined management. The full implementation of the hospital resource planning (“HRP”) project was completed, achieving integrated Group-wide budget control and significantly enhancing budget rationality and execution. Self-developed information systems, including full-cost accounting system and medical insurance clinical pathway management system, effectively improved resource coordination efficiency, providing a solid digital foundation for cost reduction, quality enhancement, and efficiency gains across our Group Hospitals.

Breaking New Ground through Innovation: Charting the 2026 Development Blueprint

Assessing industry trends, the Group has designated 2026 as the inaugural year of innovation-driven transformation. We will fully implement an innovation and transformation strategy, drive breakthroughs and achieving high-quality development through innovation.

Innovating Management and Operating Mechanisms, with Compliance as the Prerequisite

We will improve the long-term mechanism for risk prevention and control, optimise the medical quality and safety system, and adhere to lawful practice and standardised operations. Efforts will be made to reduce reliance on traditional medical insurance payments and diversify revenue streams, including expanding cooperation with commercial insurance providers. We will optimise the allocation of financial resources to safeguard working capital security. Further refinement of Group-level shared resource platforms for supply chain and information technology will enhance overall management efficiency, laying a solid managerial foundation for innovation and transformation.

Developing Specialty Disease Service Features and Expanding the Health Management Footprint

Leveraging the advantages of hospital specialties and multidisciplinary collaboration, we will concentrate resources on developing distinctive specialty disease programmes, driving a paradigm shift from a “disease-centred” to a “health-centred” service model. We will construct a full life-cycle health management system encompassing “prevention – diagnosis and treatment – rehabilitation” and develop distinctive health management products to meet the diverse and personalised health needs of the population.

Embracing Medical Technology to Cultivate New Productive Forces

Building on AI-assisted imaging and intelligent medical records, we will expand the in-depth application of artificial intelligence in scenarios such as chronic disease management, intelligent medication guidance, and precise health risk assessment. We will closely monitor cutting-edge technologies like gene sequencing and precision medicine, exploring integration points with our business to cultivate new growth drivers. We will intensify efforts in mining data assets, enhance data centre construction, and provide scientific support for clinical decision-making and operational management, strictly adhering to data security and privacy principles.

In recent years, the Group has adhered to a long-term development philosophy, achieving commendable results in standardised and lean management. However, in the face of deepening healthcare reforms and intensifying industry competition, we recognize that there remains a long way to go. Only through proactive change and a courageous spirit of innovation can we break through and move forward. The Group will remain true to its core medical mission. With professionalism and innovative courage, we will forge a new path and seize opportunities amidst change, rewarding the trust and support of our customers, employees, shareholders, and all sectors of society with solid operational performance and a trajectory of steady development.

Acknowledgement

I would like to express my sincere gratitude to the board (the “**Board**”) of directors (the “**Director(s)**”) of the Group, the management and all staff for their hard work and contributions over the past year.

Chairman and Acting Chief Executive Officer

Chen Shuai

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2025 is the final year of “China’s 14th Five-Year Plan” and the pivotal year for the high-quality development of the healthcare industry. In accordance with the Promoting the High-Quality Development of Public Hospitals issued by the General Office of the State Council, Chinese public healthcare institutions have set the establishment of a sound modern hospital management system as their core objectives, striving to implement the “Three Transformations” development requirements: shifting the development approach from scale expansion to quality and efficiency enhancement; transitioning the operational model from extensive management to refined management; and reorienting resource allocation from a focus on material factors to an emphasis on human talent and technological factors. The 2026 National Health Work Conference emphasized the importance of continuously advancing the primary healthcare strengthening program, stabilising the operation of secondary hospitals and expanding their rehabilitation and nursing functions, while regulating the scale and growth pace of tertiary hospitals and optimising their structure, and comprehensively enhancing the public welfare, accessibility, and service capabilities of medical and healthcare services.

While public healthcare institutions undergo rapid transformation and development, non-public healthcare institutions generally face operational pressures, including declining revenue scale, increasing costs for informatization and compliance, and talent attrition. There is an urgent need to reconstruct core competitiveness through differentiated positioning, specialized development, and digital intelligence empowerment, while keeping pace with industry trends.

Strategy and Prospects

For us, practicing in accordance with the law, operating in compliance, and pursuing business innovation are our core strategic directions. In 2025, in the face of pressures on business development, the Group has always remained true to the founding mission of healthcare. The Group has established a normalized internal control inspections and dynamic assessment mechanisms to objectively evaluate design flaws and operational deviations in internal controls, which can promptly and accurately detect major hidden risks, building a closed-loop compliance management system of “Identification–Evaluation–Rectification–Verification–Improvement”. The Group has led and supervised the Group Hospitals to anchor to established strategies, systematically formulating and implementing work plans across dimensions, including practice in accordance with the law, quality and safety management system construction, disciplinary development, talent cultivation, medical insurance management innovation, cost control, and performance management. This steadily enhanced their capabilities in identifying and responding to medical risks, as well as their capacity for standardized and refined operations. The Group has concentrated resources to develop specialized departments, solidifying the core competitiveness of the Group Hospitals, based on the competitive strengths and disciplinary positioning of each hospital. Phased achievements have been attained in areas such as the construction of the specialties alliance, innovation and inheritance of traditional Chinese medicine, geriatric health services, and specialized outpatient clinic branding.

MANAGEMENT DISCUSSION AND ANALYSIS

To further enhance operational efficiency, the Group continues to strengthen investments in information technology and supply chain system development. Through the implementation of the HRP project, it has achieved comprehensive budgetary control across the Group and significantly improved resource coordination efficiency. The Group has independently developed information tools such as a full-cost accounting system and medical insurance clinical pathways, laying the initial groundwork for its digital transformation infrastructure. It has established a foundation for the future comprehensive introduction of artificial intelligence technology to support business innovation and transformation. The Group has expanded the scale of lean supply chain management, establishing supply networks in Hangzhou, Jiashan, and Shanghai to comprehensively ensure high-quality supply of the pharmaceuticals, medical devices and medical consumables across the Group Hospitals, further improving inventory turnover efficiency and reducing procurement costs.

In the face of further intensified market competition, excessive reliance on the medical insurance payment system, and fierce talent competition, the Group will continue to strengthen standardized management while formally launching its Innovation and Transformation Action Plan in 2026. Focusing on the upgrade of health consumption, it will strive to build a new service system “patient-centric, value-oriented, technology-supported”, with a focus on exploring four innovative directions: First, service philosophy innovation, shifting from “disease-centered” to “health-centered” care, exploring full-lifecycle health management models. Second, specialized departments development, focusing on patients’ needs to deeply expertise in specialty/specialized disease services. Third, diversifying revenue streams and increasing the proportion of non-medical insurance revenue. Fourth, technology empowerment: encouraging the transformation and application of new medical technologies, unleashing the innovation potential of data elements, and leveraging artificial intelligence to empower clinical and operational decision-making.

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENTS

Time	Event
20 May 2025	<p>On 20 May 2025, Cixi Honghe Medical Management Company Limited* (慈溪弘和醫療管理有限公司) (the “Purchaser”), an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Cixi Honghe Hospital* (慈溪弘和醫院) (the “Seller”), pursuant to which the Seller agreed to sell, and the Purchaser agreed to acquire, the entire equity interest in Cixi Honghe Property Management Company Limited* (慈溪弘和物業管理有限公司) (the “Target Company”) at a consideration of RMB49.47 million. Upon completion of the acquisition of the entire equity interest in the Target Company and the transactions contemplated under the Equity Transfer Agreement, the Target Company shall become a subsidiary of the Company, the financial results of which shall be consolidated into the consolidated financial statements of the Group.</p> <p>For further details, please refer to the announcement of the Company dated 20 May 2025.</p>
12 June 2025	<p>On 12 June 2025, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of HKD468.0 million issued by the Company to Vanguard Glory Limited (“Vanguard Glory”) on 5 March 2018 (the “Vanguard Glory Convertible Bonds”), the Company and Vanguard Glory entered into a deed of amendment (the “Vanguard Glory Deed of Amendment”) to extend the maturity date of the Vanguard Glory Controvertible Bonds (the “Vanguard Glory Alteration of Terms”).</p> <p>Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds has been extended from 30 September 2025 to 30 September 2027.</p> <p>Save as revised by the Vanguard Glory Alteration of Terms, all of the terms and conditions of the Vanguard Glory Convertible Bonds remain unchanged and in full force.</p> <p>On 12 June 2025, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of approximately HKD773.9 million issued by the Company to Hony Capital Fund VIII (Cayman), L.P. (“Hony Fund VIII”) on 7 August 2018 (the “Hony Fund VIII Convertible Bonds”), the Company and Hony Fund VIII entered into a deed of amendment (the “Hony Fund Deed of Amendment”) to extend the maturity date of the Hony Fund VIII Convertible Bonds (the “Hony Fund Alteration of Terms”).</p>

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund VIII Convertible Bonds has been extended from 30 September 2025 to 30 September 2027.

Save as revised by the Hony Fund Alteration of Terms, all of the terms and conditions of the Hony Fund VIII Convertible Bonds remain unchanged and in full force.

As at the date of this report, the respective principal amount of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds remains outstanding in full, and Vanguard Glory and Hony Fund VIII has not exercised its respective conversion rights.

At the extraordinary general meeting of the Company convened on 30 June 2025, among other things, the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment and the Hony Fund Alteration of Terms contemplated thereunder have been approved by independent Shareholders.

For further details, please refer to the announcements of the Company dated 12 June 2025 and 30 June 2025 and the circular of the Company dated 13 June 2025.

EVENTS AFTER THE YEAR UNDER REVIEW

The Group had no significant events after 31 December 2025 and up to the date of this report.

REVIEW OF 2025 ANNUAL PERFORMANCE

Results of Operations

Revenue

Our revenue increased by approximately 2% from approximately RMB1,442.3 million in 2024 to approximately RMB1,471.0 million in 2025. The table below sets forth the Group's revenue by segment and by services category for the years indicated:

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Revenue	1,471,013	1,442,292
– General hospital services	1,410,705	1,303,405
– Hospital management services	47,469	124,057
– Sales of pharmaceutical products and others	12,839	14,830

MANAGEMENT DISCUSSION AND ANALYSIS

General hospital services

Revenue from our general hospital services segment increased by approximately 8.2% from RMB1,303.4 million in 2024 to approximately RMB1,410.7 million in 2025. Revenue from this segment increased mainly due to the Cixi business combination.

Hospital management services

Revenue from our operating management services, supply chain services and other comprehensive management services, decreased by approximately 61.7% from approximately RMB124.1 million in 2024 to approximately RMB47.5 million in 2025. The decrease in revenue was mainly due to the reduction in comprehensive management services (such as hospital management services and supply chain services) provided to managed hospital after business combination.

Cost

Our cost increased by approximately 3.2% from approximately RMB1,166.5 million in 2024 to approximately RMB1,203.4 million in 2025. The increase in costs was mainly due to the business combination.

Administrative expenses

Our administrative expenses increased by approximately 11.2% from approximately RMB109.0 million in 2024 to approximately RMB121.2 million in 2025. The increase in administrative expenses was mainly attributable to the business combination.

Finance income/(costs)

Our finance income/(costs) increased by approximately RMB173.4 million from finance costs of RMB108.1 million in 2024 to finance income RMB65.3 million in 2025, and such increase was mainly attributable to an increased in gain on modification of convertible bonds of approximately RMB165.2 million.

Earning for the year

We recorded a net profit of approximately RMB139.0 million for the year ended 31 December 2025, representing an increase of approximately RMB112.7 million from the net profit of approximately RMB26.3 million for the year ended 31 December 2024, mainly due to an increase in gain on modification of convertible bonds of approximately RMB165.2 million.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2025, the current assets of the Company were approximately RMB1,098.8 million (31 December 2024: approximately RMB1,099.1 million) and current liabilities were approximately RMB678.4 million (31 December 2024: approximately RMB1,809.9 million). Net current assets were approximately RMB420.4 million (31 December 2024: net current liabilities of approximately RMB710.8 million). As at 31 December 2025, the current ratio was approximately 1.62, as compared with approximately 0.61 as at 31 December 2024.

As at 31 December 2025, borrowings of the Company were approximately RMB69.0 million (31 December 2024: approximately RMB82.1 million), the net gearing ratio (net gearing ratio equals borrowing balance divided by total assets) was approximately 2.7% (31 December 2024: 3.2%).

The Company primarily funds its operating requirements through cash flows generated from operating activities. For the year 2025, net cash generated from operating activities amounted to approximately RMB157.9 million (2024: approximately RMB212.1 million).

As at 31 December 2025, cash and cash equivalents amounted to approximately RMB665.7 million (31 December 2024: approximately RMB714.1 million).

The Directors believe that, after taking into account the available financial resources, the Group have sufficient working capital to meet its requirements. Save as disclosed in this report, the Group did not have any other material contingent liabilities or guarantees as at 31 December 2025.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this report, the Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures from 1 January 2025 until 31 December 2025.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2025, the Group did not have any significant investments or future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the PRC with most of its transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2025, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD and HKD.

The Group did not use any derivative financial instruments to hedge foreign exchange risk. The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

PLEDGE OF ASSETS

As at 31 December 2025, the Company, Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司) (“**Tibet Honghe Zhiyuan**”) and Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd.* (浙江弘和致遠醫療科技有限公司) (“**Zhiyuan Medical**”) has provided a joint liability guarantee for Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院) (“**Jinhua Guangfu Hospital**”) in favour of China Construction Bank Corporation Jinhua Branch* (中國建設銀行股份有限公司金華分行) (“**China Construction Bank**”) in connection with the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB173.0 million. Impeccable Success Limited (“**Impeccable Success**”) has pledged its paid-up equity interests in Zhiyuan Medical to China Construction Bank as security for the repayment obligations of Jinhua Guangfu Hospital up to a maximum outstanding amount of RMB66.66 million. For the avoidance of doubt, the financial assistance provided by the Group in favor of China Construction Bank mentioned above will not exceed a maximum outstanding amount of RMB173.0 million. As at 31 December 2025, the principal amount of loan balance of Jinhua Guangfu Hospital was RMB106.7 million.

As at 31 December 2025, the Company has provided a corporate guarantee for Jinhua Guangfu Hospital in favor of Nanyang Commercial Bank (China) Limited Beijing Branch* (南洋商業銀行(中國)有限公司北京分行) (“**Nanyang Bank**”) in connection with the repayment obligations up to a maximum outstanding amount of RMB104.0 million. As at 31 December 2025, the principle amount of loan balance of Jinhua Guangfu Hospital was RMB60.0 million.

* For identification purpose only

Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) (“**Jiande Hospital**”) entered into three one-year loan agreements with Agricultural Bank of China Jiande Branch in 2025. As at 31 December 2025, the outstanding amount of the loans was RMB49.0 million. These bank loans were secured by trade receivables held by Jiande Hospital.

On 17 April 2025, Jiande Hospital entered into a one-year loan agreement with Bank of Communications Jiande Branch. As at 31 December 2025, the outstanding amount of this loan was RMB10.0 million. This bank loan was guaranteed by Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司) (“**DJ Pharmaceutical Technology**”).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025.

HUMAN RESOURCES

As at 31 December 2025, we had a total of 1,809 employees (31 December 2024: 1,841). We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the year ended 31 December 2025, the total employee benefits expenses (including Directors’ remuneration) were approximately RMB490.1 million (2024: approximately RMB446.7 million).

We set performance targets for our employees based on their position and department, and regularly review their performance. The results of these reviews are used in their salary determinations, bonus awards and promotion appraisals. As required by PRC laws and regulations, our employees participate in several government-run or-regulated benefit programs, including but not limited to retirement benefit programs, housing provident fund, medical insurance and other employee social insurance programs. The Company has adopted certain share-based payment schemes for the purpose of, among others, providing incentive and rewards to eligible persons with outstanding performance and contributions to the Group.

We provide ongoing training for our employees. Our doctors and other medical professionals regularly receive technical training in their relevant fields. Our administrative and management staff also receive systematic training on management skills and business operations.

* For identification purpose only

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is a hospital operation and management company in China, led by a professional team with extensive hospital management experience. The Group is principally engaged in (i) the operation and management of hospitals; (ii) the provision of management services, supply chain services and other ancillary services to hospitals; and (iii) the sales of pharmaceutical products in China.

Segment analysis of the Company for the year ended 31 December 2025 is set out in Note 4 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in Note 12 to the consolidated financial statements.

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business, particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2025, and an indication of likely future developments in the Group's business, can be found in the "CEO's Statement" and "Management Discussion and Analysis" sections in this annual report and a separate environmental, social and governance report. These discussions form part of this report of the Directors. Further discussions on the principal risks and uncertainties facing the Company, the Company's environmental policies and performance and compliance with relevant laws and regulation are set out on pages 49 to 51 of this report.

There is no significant subsequent event undertaken by the Company or by the Group from 1 January 2026 to the date of this report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 87 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the years ended 31 December 2021, 2022, 2023, 2024 and 2025, as set out on page 4 of this annual report, is extracted from the audited consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2025 are set out in Note 24 to the consolidated financial statements. As of the date of this report, the total share capital of the Company was HKD138,194 divided into 138,194,000 Shares of HKD0.001 each.

FINAL DIVIDEND

As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of the Directors. The Company may declare dividends after taking into account its results of operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors as the Directors may deem relevant at such time.

PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including IFRS. Some of the Company's subsidiaries in China that are foreign-invested enterprises have set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of net profit of the Company's subsidiaries are not available for distribution as cash dividends. Distributions from the Company's subsidiaries may also be restricted if they incur debt or losses, or are subject to any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into. Since we rely on dividends from our PRC subsidiaries as a source of funding for the payment of dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment of dividends, as well as the amount thereof, will be subject to the articles of association of the Company (the "**Articles**") and the Companies Law of the Cayman Islands (the "**Cayman Companies Law**"). Shareholders of the Company may, at general meetings, approve and make any declaration of dividends, which must not exceed the amount recommended by the Directors. No dividend may be declared or paid except out of our profits or reserves set aside from profits at the Directors' discretion. Dividends may also be declared and paid out of the share premium account of the Company in accordance with the Cayman Companies Law and the Articles, provided that no dividend may be paid out of the Company's share premium account unless the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders of the Company by reason of their holding of the Company's securities.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2025 are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company had distributable reserves of approximately RMB632.9 million.

REPORT OF THE DIRECTORS

PROPERTY AND EQUIPMENT

Details of the movements of our property and equipment during the year ended 31 December 2025 are set out in Note 9 to the consolidated financial statements.

CONVERTIBLE BONDS

Vanguard Glory Convertible Bonds

In view of the Group's substantial need to fund our future acquisitions, the Company and Vanguard Glory, a shareholder holding 70.19% of the Company's issued share capital so that a connected person of the Company, entered into a subscription agreement on 25 January 2018, pursuant to which, on 5 March 2018, the Company issued and Vanguard Glory subscribed for the Vanguard Glory Convertible Bonds in the aggregate principal amount of HKD468.0 million with an initial conversion price of HKD18.00 per conversion share. The Vanguard Glory Convertible Bonds will mature three years upon their issuance or may be converted into 26,000,000 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment). Upon maturity, the Company will redeem all outstanding Vanguard Glory Convertible Bonds at its principal amount.

On 17 December 2020, in accordance with the terms and conditions of the Vanguard Glory Convertible Bonds, the Company and Vanguard Glory entered into a deed of amendment to alter certain terms of the Vanguard Glory Convertible Bonds, pursuant to which (i) the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 5 March 2021 to 29 December 2023; and (ii) in the event that the shares of the Company cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder's option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such bondholder's Vanguard Glory Convertible Bonds. The alteration of certain terms of the Vanguard Glory Convertible Bonds was approved by the Shareholders other than Vanguard Glory at the extraordinary general meeting of the Company held on 22 February 2021 and was approved by the Stock Exchange subsequently.

On 6 June 2023, the Company and Vanguard Glory entered into a deed of amendment in relation to the alteration of certain terms of the Vanguard Glory Controvertible Bonds, pursuant to which the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025, subject to and effective from fulfillment of the conditions precedent. All votes on all the proposed resolutions as set out in the notice of extraordinary general meeting dated 7 July 2023 were taken by poll at the extraordinary general meeting dated 31 July 2023 and was approved by the Stock Exchange subsequently.

On 12 June 2025, the Company and Vanguard Glory entered into the Vanguard Glory Deed of Amendment, details of which are described in the section headed "Recent Developments" of this report. Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 30 September 2025 to 30 September 2027, subject to and effective from fulfillment of the conditions precedent. The Vanguard Glory Alteration of Terms was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 30 June 2025 and was approved by the Stock Exchange subsequently.

Save as revised by the alteration of terms above, all of the terms and conditions of the Vanguard Glory Convertible Bonds remain unchanged and in full force.

The market price of the Company's shares on 25 January 2018, being the date on which the terms of the issuance of the Vanguard Glory Convertible Bonds were determined, was HKD15.00 per share.

The net proceeds from the Vanguard Glory Convertible Bonds, after deducting all related costs and expenses, was approximately HKD467.0 million. The net proceeds of approximately HKD405.0 million were used to acquire Cixi Hongai Medical Management Co., Ltd. ("**Cixi Hongai**") in March 2018. The amount of the net proceeds approximately HKD62.0 million were used for hospital management businesses by the Group as of 31 December 2023. The Directors believe that it is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

As at 31 December 2025, none of the Vanguard Glory Convertible Bonds has been converted into shares of the Company. For further details, please refer to the announcements of the Company dated 25 January 2018, 17 December 2020, 22 February 2021, 6 June 2023, 31 July 2023, 12 June 2025 and 30 June 2025, and the circulars of the Company dated 29 January 2021, 7 July 2023 and 13 June 2025.

Dilution Impact on Earnings per Share

As calculated based on profit attributable to owners of the Company of approximately RMB136.4 million for the year ended 31 December 2025, basic and diluted earnings per share of the Company amounted to RMB1.00 and RMB0.35, respectively.

Based on the implied internal rate of returns of the Vanguard Glory Convertible Bonds, the Company's share prices at the future dates at which it would be equally financially advantageous for the holders of the Vanguard Glory Convertible Bonds to convert were as follows:

Date	30 September 2027 (HKD per Share)
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Share price	<u>18.0</u>
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Hony Fund VIII Convertible Bonds

On 29 May 2018, the Company and Hony Fund VIII entered into a share purchase agreement (the "**Share Purchase Agreement**") in relation to the sale and purchase of the entire equity interest in Oriental Ally Holdings Limited ("**Oriental Ally**"), a company incorporated in the British Virgin Islands with limited liability and owned by Hony Fund VIII, at a consideration of RMB630.0 million (equivalent to approximately HKD773,879,717).

Oriental Ally is an investment holding company, which directly owns 100% of the equity interest in Impeccable Success, which in turn directly owns 75% of the equity interest in Zhiyuan Medical (collectively referred to as the "**Target Group**"). The Target Group is principally engaged in the provision of management and consultation services to hospital (Jinhua Guangfu Hospital) in the PRC.

REPORT OF THE DIRECTORS

On 7 August 2018, the acquisition was completed, and Oriental Ally became a subsidiary of the Company. The Company directly holds 100% of the equity interest in Oriental Ally. Through Oriental Ally, the Company indirectly holds 75% of the equity interest in Zhiyuan Medical. The remaining 25% equity interest held by Hony Kangshou Management Consulting (Shanghai) Co., Ltd. shall be recognised as a non-controlling interest. The consideration was satisfied by the issuance of Hony Fund VIII Convertible Bonds in the aggregate principal amount of approximately HKD773.9 million by the Company to Hony Fund VIII on the completion date of the acquisition pursuant to the Share Purchase Agreement. On 7 August 2018, the Hony Fund VIII Convertible Bonds were issued in registered form in the denomination of HKD1.00 each provided that in no event shall any Hony Fund VIII Convertible Bonds be transferred, exchanged, converted or purchased in an aggregate principal amount less than HKD1.00. The Hony Fund VIII Convertible Bonds will mature five years from their issuance or may be converted into 38,693,985 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment) at the holder's option at the conversion price of HKD20.00 per conversion share (subject to adjustment to the conversion price). Upon maturity, the Company will redeem all outstanding Hony Fund VIII Convertible Bonds at its principal amount.

The market price of the Company's shares on 29 May 2018, being the date on which the terms of the issuance of the Hony Fund VIII Convertible Bonds were determined, was HKD20.10 per share.

On 6 June 2023, the Company and Hony Fund VIII entered into a deed of amendment in relation to the alteration of certain terms of the Hony Fund VIII Convertible Bonds, pursuant to which, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended from 7 August 2023 to 30 September 2025, subject to and effective from fulfillment of the conditions precedent. All votes on all the proposed resolutions as set out in the notice of extraordinary general meeting dated 7 July 2023 were taken by poll at the extraordinary general meeting dated 31 July 2023 and was approved by the Stock Exchange subsequently.

On 12 June 2025, the Company and Hony Fund VIII entered into the Hony Fund Deed of Amendment, details of which are described in the section headed "Recent Developments" of this report. Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended from 30 September 2025 to 30 September 2027, subject to and effective from fulfillment of the conditions precedent. The Hony Fund Alteration of Terms was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 30 June 2025 and was approved by the Stock Exchange subsequently.

Save as revised by the alteration of terms above, all of the terms and conditions of the Hony Fund VIII Convertible Bonds remain unchanged and in full force.

As at 31 December 2025, none of the Hony Fund VIII Convertible Bonds has been converted into shares of the Company. For further details, please refer to the announcements of the Company dated 29 May 2018, 6 June 2023, 31 July 2023, 12 June 2025 and 30 June 2025, and the circulars of the Company dated 24 June 2018, 7 July 2023 and 13 June 2025.

The Company is held as to 70.19% by Vanguard Glory, a subsidiary of Hony Capital Fund V, L.P., and Hony Capital Fund V, L.P. is managed by Hony Capital Fund V GP Limited. Hony Fund VIII is managed by Hony Capital Fund VIII GP (Cayman) Limited. Both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited are general partner companies of Hony Capital. Accordingly, Hony Fund VIII is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Dilution Impact on Earnings per Share

As calculated based on profit attributable to owners of the Company of approximately RMB136.4 million for the year ended 31 December 2025, basic and diluted earnings per share of the Company amounted to RMB1.00 and RMB0.35, respectively.

Based on the implied internal rate of returns of the Hony Fund VIII Convertible Bonds, the Company's share prices at the future dates at which it would be equally financially advantageous for the holders of the Hony Fund VIII Convertible Bonds to convert were as follows:

Date	30 September 2027 (HKD per Share)
Share price	<u>20.0</u>

For other details of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, please refer to Note 21 to the consolidated financial statements.

Leap Wave Convertible Bonds

In view of the Group's need for further financing to fund our future acquisitions, on 21 December 2018 and 16 January 2019, the Company and Leap Wave Limited ("**Leap Wave**") entered into a subscription agreement and an amendment agreement respectively, pursuant to which the Company agreed to issue and Leap Wave agreed to subscribe for convertible bonds in the aggregate principal amount of HKD800.0 million at a total consideration equal to the aggregate principal amount of the convertible bonds (the "**Leap Wave Convertible Bonds**"). On 27 February 2019, the Leap Wave Convertible Bonds were issued in registered form in the denomination of HKD1.00 each. The Leap Wave Convertible Bonds will mature five years from their issuance or may be converted into 40,000,000 ordinary shares of the Company (assuming the conversion rights are exercised in full and subject to adjustment) at the holder's option at the conversion price of HKD20.00 per conversion share (subject to adjustment to the conversion price). Upon maturity, the Company shall redeem in whole the Leap Wave Convertible Bonds with the redemption amount calculated in accordance with the following formula: principal amount of outstanding convertible bonds + principal amount of outstanding convertible bonds × 6% × 5.

The market price of the Company's shares on 16 January 2019, being the date on which the terms of the issuance of the Leap Wave Convertible Bonds were determined, was HKD16.18 per share.

On 12 August 2021, in accordance with the terms and conditions of the Leap Wave Convertible Bonds, the Company and Leap Wave entered into a deed of amendment (the "**Leap Wave Deed of Amendment**") in relation to early redemption (the "**Early Redemption**"), subject to and effective from the fulfilment of certain conditions precedent.

The alteration of terms contemplated under the Leap Wave Deed of Amendment was approved by the Shareholders at the extraordinary general meeting of the Company held on 8 October 2021 and was approved by the Stock Exchange subsequently.

REPORT OF THE DIRECTORS

The terms of Leap Wave Convertible Bonds has been amended as follows:

- (i) The existing arrangements with respect to early redemption shall be replaced in entirety with the following:

With prior written consent of the Company and the Bondholder, the outstanding Convertible Bonds may be redeemed in whole by the Company prior to the Maturity Date at the mutually agreed early redemption amount (the “**Early Redemption Amount**”) calculated in accordance with the following formula:

Early Redemption Amount = Principal amount of the outstanding Convertible Bonds as of the redemption date x 98%.

- (ii) The following payment arrangements with respect to early redemption shall be added:

Company may pay the Early Redemption Amount to the Bondholder in instalments. The detailed instalment schedules shall be agreed between the Company and the Bondholder and set out in the redemption notice to be served by the Company to the Bondholder. No interest shall accrue on any unpaid Early Redemption Amount during the instalment period, unless where the Company fails to pay the agreed instalments on the corresponding payment dates, default interest (i.e. 5% per annum) shall accrue on the overdue amount in accordance with the existing terms of the Convertible Bonds.

On 15 October 2021, the Company has served a redemption notice to Leap Wave to request for early redemption on all outstanding Leap Wave Convertible Bonds in the principal amount of HKD800.0 million, pursuant to which, the Company will pay the early redemption amount, being HKD784.0 million, to Leap Wave in accordance with the following payment schedule:

Payment dates	Instalment amount (HKD in millions)
20 October 2021	550
31 July 2022	120
31 July 2023	114
Total Early Redemption Amount:	<u>784</u>

As at 31 July 2023, the Company had paid HKD695.0 million to Leap Wave, and HKD89.0 million remained unpaid (the “**Remaining Early Redemption Amount**”). Given the uncertainty in economic environment and fierce competition in the medical industry, to safeguard the health of the Company’s financial cash flow, on 31 July 2023, the Company served a written notice to Leap Wave stating that the payment of the Remaining Early Redemption Amount and interests was intended to be paid in two instalments that an amount of HKD39.0 million shall be paid on or before 31 July 2024 and an amount of HKD50.0 million shall be paid on or before 31 July 2025. Interests shall be calculated based on the actual number of days accrued from the date on which such sum being due and payable to the date on which the full amount of such sum has been duly paid by the Company and on the basis of 360 days per year in accordance with the convertible bonds instrument executed by the Company on 27 February 2019 as revised by the Leap Wave Deed of Amendment.

As at 31 December 2025, the Remaining Early Redemption Amount had been fully paid, the Leap Wave Convertible Bonds had been cancelled in whole, and the Company had been discharged from all of the obligations under and in respect of the Leap Wave Convertible Bonds.

Dilution Effect of the Conversion of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds

Set out below is the dilution effect on equity interest of the substantial Shareholders upon the full conversion of the outstanding Vanguard Glory Convertible Bonds and the outstanding Hony Fund VIII Convertible Bonds.

Substantial Shareholders	As at 31 December 2025		Immediately upon full conversion of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Vanguard Glory	97,000,000	70.19	123,000,000	60.62
Hony Fund VIII	0	0.00	38,693,985	19.07
Anhui Zhong'an LP	9,037,200	6.54	9,037,200	4.45

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including the sales of treasury shares (as defined in the Listing Rules)).

As at 31 December 2025, the Company did not have any treasury shares (as defined in the Listing Rules).

DIRECTORS

During the year and up to the date of this report, the Directors were:

Executive Directors:

Mr. Chen Shuai (*Chairman and Acting Chief Executive Officer*)
 Mr. Pu Chengchuan
 Ms. Pan Jianli

Non-executive Directors:

Ms. Liu Lu
 Ms. Wang Nan

Independent non-executive Directors:

Mr. Dang Jinxue
 Mr. Shi Luwen
 Mr. Zhou Xiangliang

REPORT OF THE DIRECTORS

Biographical details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 52 to 61 of this annual report.

Ms. Pan Jianli, Mr. Dang Jinxue and Mr. Zhou Xiangliang shall retire by rotation at the forthcoming annual general meeting of the Company (the “AGM”). Ms. Liu Lu and Ms. Wang Nan shall also voluntarily retire at the AGM. All of the aforementioned retiring Directors, being eligible, will offer themselves for re-election at the AGM.

CHANGES IN INFORMATION OF THE DIRECTORS

The changes in the Director’s information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

1. With effect from 26 March 2025, Ms. Pan Jianli, an executive Director, was appointed as a member of the Nomination Committee.
2. With effect from 26 March 2025, Mr. Zhou Xiangliang, an independent Non-executive Director, was appointed as a member of the Nomination Committee.

Save as disclosed, there is no change to any information required to be disclosed in relation to any Directors pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules.

DIRECTORS’ SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

Save as disclosed under Note 29 “Material related party transactions” to the consolidated financial statements and the section headed “Convertible Bonds” in this report, no transaction, arrangement or contract of significance (as defined in Appendix D2 to the Listing Rules) in relation to our business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at any time during or at the end of the year ended 31 December 2025.

As of 31 December 2025, none of the Directors was interested in any businesses other than our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, at no time during the year ended 31 December 2025 did the Company or any of its subsidiaries enter into any contract of significance with a controlling shareholder of the Company or any of its subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Introduction

On 16 February 2022, the Group acquired the entire equity interests of Hangzhou Jingyouzhi Enterprise Management Company Limited* (杭州靜有智企業管理有限公司) (“**Hangzhou Jingyouzhi**”) (holding 30% of the equity interests in Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司) (“**DJ Pharmaceutical Technology**”) and Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司) (“**DJ Medicines**”) and controlling 30% of the equity interests in Jiande Hospital of Traditional Chinese Medical Co., Ltd.* (建德中醫院有限公司) (“**Jiande Hospital**”) (the “**Acquisition**”), at a consideration of RMB120.0 million in accordance with the terms and conditions under an equity transfer agreement (the “**Onshore Equity Transfer Agreement**”). The Group, through Hangzhou Jingyouzhi, indirectly holds 30% equity interests in DJ Medicines and DJ Pharmaceutical Technology, and indirectly controls 30% of the equity interests in Jiande Hospital through a series of structured contracts. This Acquisition contributed to revenue for the sales of pharmaceutical products and general hospital services businesses that the Group engaged in.

Hangzhou Jingyouzhi, Hangzhou Jinhoupu Management Company Limited* (杭州金厚樸企業管理有限公司) (“**Hangzhou Jinhoupu**” or the “**OPCO**”, which does not have any other business other than holding 30% equity interests in Jiande Hospital) and Mr. Hong Jiangxin and Mr. Hong Yang (together with Mr. Hong Jiangxin, the “**Vendors**”) entered into a series of structured contracts (the “**Existing VIE Contracts**”) on 7 February 2022. On 2 April 2022, (i) a series of agreements (the “**Termination Agreements**”) were entered into by Hangzhou Jingyouzhi, Hangzhou Jinhoupu, and the Vendors to terminate the Existing VIE Contracts; (ii) a series of contracts (the “**New VIE Contracts**”) were duly executed to establish the new variable interest entity (“**VIE**”) structure; and (iii) the equity transfer in the OPCO from the Vendors to Mr. Qin Chuan and Mr. Liu Hui (the “**PRC Equity Owners**”) pursuant to an equity transfer agreement (“**Associated Equity Transfer Agreement**”) were completed.

The New VIE Contracts, comprise the following:

- (i) the exclusive operation service agreement entered into among Jiande Heyue Enterprise Management Co., Ltd.* (建德和悅企業管理有限公司) (“**Jiande Heyue**”), the OPCO and the PRC Equity Owners (the “**Exclusive Operation Service Agreement**”);
- (ii) the exclusive option agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital (the “**Exclusive Option Agreements**”);
- (iii) the entrustment agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital in favor of Jiande Heyue (and its successors or liquidators) or a natural person designated by Jiande Heyue (the “**Entrustment Agreements**”) and the annexure of the powers of attorney executed by the PRC Equity Owners and the OPCO appended thereto (the “**Powers of Attorney**”); and
- (iv) the equity pledge agreements entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital (the “**Equity Pledge Agreements**”).

* For identification purpose only

REPORT OF THE DIRECTORS

Background and reasons for use of the New VIE Contracts

The Group is principally engaged in hospital management business and general hospital business in China. Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by The Ministry of Commerce of the PRC (the “**MOFCOM**”) and the National Development and Reform Commission (NDRC). The Negative List and the Encouraging Catalog divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

According to the Negative List, medical institutions fall within the “restricted” investment category, and therefore cannot be held 100% by foreign investments and foreign investments are restricted to the form of sino-foreign equity joint venture. Furthermore, as advised by our PRC legal adviser, Bureau of Commerce of Jiande City, as the competent authority for foreign investment administration in Jiande City, and Health Commission of Jiande City, as the competent authority of medical institutions in Jiande City, are of the view that the Company, as a foreign entity, shall not hold, directly or indirectly, more than 70% of the equity interests in any medical institution in Jiande City (the “**Foreign Ownership Restriction**”). As such, the Company, through Jiande Heyue, holds 70% equity interests in Jiande Hospital and Hangzhou Jinhoupu holds the remaining 30% equity interests in Jiande Hospital.

In light of the Foreign Ownership Restriction, in order to control Jiande Hospital and to prevent leakages of equity and values to the minority shareholders of Jiande Hospital, and to obtain 30% economic benefits of this medical institution attributable to the OPCO, Jiande Heyue entered into the New VIE Contracts with the PRC Equity Owners and the OPCO Group. The New VIE Contracts allow the Group to control and consolidate the OPCO and to obtain 30% economic benefits of Jiande Hospital attributable to the OPCO.

The New VIE Contracts are narrowly tailored because they are only used to address the Foreign Ownership Restriction. The New VIE Contracts are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations.

The revenue and net loss of the operating entity (Jiande Hospital) subject to the Existing VIE Contracts amounted to approximately RMB188.0 million and RMB0.2 million for the year ended 31 December 2025, respectively. The total assets and total liabilities of the operating entity (Jiande Hospital) subject to the Existing VIE Contracts amounted to approximately RMB129.2 million and RMB139.9 million as at 31 December 2025, respectively.

Principal terms of the New VIE Contracts

Exclusive Operation Service Agreement

Pursuant to the Exclusive Operation Service Agreement, Jiande Heyue agrees to provide to the OPCO and its affiliated medical institution, being Jiande Hospital, on an exclusive basis, shareholder's rights and investment management related services and medical institution operation services based on their actual business demand. Accordingly, Jiande Heyue agrees to provide services to the OPCO and its affiliated medical institution, including but not limited to, (i) asset and business operational plan formulation and execution, (ii) human resources and operation technology related consultation and management, (iii) technical and commercial market research, (iv) strategies for marketing and business expansion, (v) technical personnel support, (vi) internal management, (vii) provision of comprehensive solution including medical resources sharing and technical consultation, (viii) medical appliances sourcing, (ix) quality control, and (x) other services relating to management and operation of medical institutions and maintenance of appliances and facilities.

Jiande Heyue has proprietary rights to all the intellectual properties developed or created by Jiande Heyue from the performance of these services. During the term of the Exclusive Operation Service Agreement, Jiande Heyue may use the intellectual property rights owned by the OPCO free of charge and without any conditions. The OPCO may also use the intellectual property work created by Jiande Heyue from the services performed by Jiande Heyue in accordance with the Exclusive Operation Service Agreement.

Pursuant to the Exclusive Operation Service Agreement, Jiande Heyue has the right to request for an annual service fee in an amount equivalent to 30% of the annual distributable profits of Jiande Hospital after deducting any loss in the prior year and the statutory provident fund (if applicable) from the OPCO.

In addition, pursuant to the Exclusive Operation Service Agreement, without the prior written approval from Jiande Heyue, the OPCO and the PRC Equity Owners shall not enter into any transactions that may materially affect their assets, obligations, equity interests, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any assets, (ii) the disposal or transfer of the shares in its affiliated medical institution, and (iii) the entering into of any contracts or arrangements which may conflict with the New VIE Contracts or adversely affect the interests of Jiande Heyue under the New VIE Contracts.

REPORT OF THE DIRECTORS

Exclusive Option Agreements

Pursuant to the Exclusive Option Agreements, (i) each of the PRC Equity Owners irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the OPCO itself or through its designated person(s), (ii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the OPCO itself or through its designated person(s), (iii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the 30% of equity interests in Jiande Hospital from the OPCO itself or through its designated person(s), and (iv) Jiande Hospital irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jiande Hospital attributable to the OPCO from Jiande Hospital itself or through its designated person(s). Jiande Heyue may appoint designated person(s) when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners, the OPCO and Jiande Hospital will undertake that they/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Jiande Heyue.

The PRC Equity Owners and the OPCO undertake to endeavor to develop the business of the OPCO and Jiande Hospital and not to take any action or fail to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Jiande Heyue, the PRC Equity Owners and the OPCO shall not transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon and Jiande Hospital shall not assist in transferring or otherwise disposing of any option or assets under the Exclusive Option Agreements, or creating any encumbrances thereon.

In addition, the PRC Equity Owners, the OPCO and Jiande Hospital undertake that, upon Jiande Heyue issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to effect the transfer and to ensure there is no defects, security rights or any restrictions imposed by third-party in the legal title of the option or transferred assets, as the case may be. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of the OPCO and Jiande Hospital (as applicable) under the PRC laws, all the residual assets which are attributable to the PRC Equity Owners and the OPCO (as applicable) shall be transferred to Jiande Heyue or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners and the OPCO undertakes that he/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiande Heyue or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of the OPCO, death or incapacity of the PRC Equity Owners or any other event which causes changes to their shareholding in the OPCO, or the OPCO's shareholding in Jiande Hospital (as applicable), the successor of the PRC Equity Owners' equity interests in the OPCO, or the OPCO's equity interests in Jiande Hospital shall be bound by the New VIE Contracts, and (iii) any disposal of shareholding in the OPCO and Jiande Hospital shall be governed by the New VIE Contracts unless Jiande Heyue consents otherwise in writing.

Entrustment Agreements and Powers of Attorney

Pursuant to the Entrustment Agreements and the Powers of Attorney annexed thereto, (i) the PRC Equity Owners irrevocably agree to authorize the Attorney to exercise all of its rights and powers as a shareholder of the OPCO and Jiande Hospital (as applicable), including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry; and (ii) the OPCO irrevocably agrees to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jiande Hospital (as applicable), including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Jiande Heyue is a wholly-owned subsidiary of the Company, the terms of the Entrustment Agreements and the Powers of Attorney will give the Company full control over all corporate decisions made by such Attorney and exercise management control over the OPCO, and the 30% equity interests in Jiande Hospital.

Furthermore, since the Exclusive Option Agreements, the Entrustment Agreements and the Powers of Attorney encompass dealing with the assets of the OPCO and Jiande Hospital, the liquidator can seize their assets in a winding up situation for the benefit of Jiande Heyue's shareholders or creditors.

Equity Pledge Agreements

Pursuant to the Equity Pledge Agreements, the PRC Equity Owners and the OPCO agree to pledge all of his/its respective equity interests in the OPCO and Jiande Hospital to Jiande Heyue to secure performance of all their obligations and the obligations of Jiande Hospital under the New VIE Contracts.

To the extent permitted by the PRC laws and best knowledge of the PRC Equity Owners, if the OPCO and Jiande Hospital declare any dividend during the term of the pledge, Jiande Heyue is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by the PRC Equity Owners, the OPCO or Jiande Hospital, upon issuing a written notice to the PRC Equity Owners and the OPCO, Jiande Heyue will be entitled to all remedies available in the New VIE Contracts including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, the PRC Equity Owners and the OPCO undertake to Jiande Heyue, among other things, not to transfer their equity interests in the OPCO and Jiande Hospital and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Jiande Heyue without its prior written consent. The OPCO and Jiande Hospital undertake to Jiande Heyue, among other things, not to assist to transfer the equity interests in the OPCO and Jiande Hospital held by the PRC Equity Owners and the OPCO (as applicable) or to create or allow any pledge or encumbrance thereon without Jiande Heyue's prior written consent.

During the year ended 31 December 2025, (i) there were no material changes in the New VIE Contracts or the circumstances under which they were adopted; and (ii) none of the New VIE Contracts mentioned above had been unwound as none of the restrictions that led to the adoption of the New VIE Contracts were removed.

REPORT OF THE DIRECTORS

Internal control measures implemented by the Group

The Group has adopted the following measures to ensure legal and regulatory compliance of the New VIE Contracts:

- as part of the internal control measures, major issues arising from the implementation of the New VIE Contracts with the PRC Equity Owners and the OPCO Group will be regularly reviewed, at least on an annual basis, by the Board. The Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the New VIE Contracts;
- the independent non-executive Directors will review the implementation and compliance of the New VIE Contracts;
- matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at regular meetings by the Board no less frequently than on a quarterly basis;
- the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the New VIE Contracts and other related matters;
- the PRC Equity Owners and the OPCO will undertake that they will not carry on, own or acquire any business which is in competition with or is likely to be in competition with the business carried on by Jiande Hospital without our prior written consent; and
- the Group will unwind the VIE Contracts as soon as the law allows the business to be operated without them.

As of 31 December 2025, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Directors were not aware of any factors that would lead to any interference from or restrictions imposed by any PRC governing bodies on the Group's operating the businesses through Jiande Hospital under the Existing VIE Contracts.

Risks associated with the New VIE Contracts and the actions taken by the Company to mitigate the risks

Risks associated with the New VIE Contracts

If the PRC government finds that the New VIE Contracts do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the Company could be subject to severe penalties or be forced to relinquish our interests received through the New VIE Contracts.

The New VIE Contracts may not be as effective in providing operational control as direct ownership and any member of the OPCO Group or the PRC Equity Owners may fail to perform their obligations under the New VIE Contracts.

Mitigation actions taken by the Company

According to the agreements of the New VIE Contracts, in the event of any changes in the relevant laws and regulations that result in the legal effect of the agreement and its performance are not compliant with the laws and regulations of the PRC, the parties to the agreements shall take action to keep its legal effect, or otherwise realize the purpose and intention of new VIE contracts.

The Directors will closely monitor the latest development of the existing or future applicable PRC laws or regulations (including the Foreign Investment Law of the PRC), so as to comply with relevant rules and regulations in the PRC.

Each of the New VIE Contracts contains a dispute resolution provision, which stipulates that in the event of any dispute relating to the interpretation and performance of the New VIE Contracts, the parties shall negotiate in good faith to resolve such disputes. If the parties fail to reach an agreement on the resolution of such a dispute within 30 days, the relevant dispute may be submitted to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in the arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

REPORT OF THE DIRECTORS

Risks associated with the New VIE Contracts

The Group may lose control over any member of the OPCO Group and may not enjoy 30% of the economic benefits of Jiande Hospital if the OPCO declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The New VIE Contracts may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce the Group's net income.

Mitigation actions taken by the Company

Pursuant to the Exclusive Option Agreements, (i) in the event of a dissolution or liquidation of the OPCO and Jiande Hospital (as applicable) under the PRC laws, all the residual assets which are attributable to the PRC Equity Owners and the OPCO (as applicable) shall be transferred to Jiande Heyue or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners, the OPCO and Jiande Hospital undertakes that he/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiande Heyue or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of the OPCO, death or incapacity of the PRC Equity Owners or any other event which causes changes to the PRC Equity Owner's shareholding in the OPCO or the OPCO's shareholding in Jiande Hospital, the successor of the PRC Equity Owners' equity interests in the OPCO and the successor of the OPCO's equity interests in Jiande Hospital shall be bound by the New VIE Contracts, and (iii) any disposal of shareholding in the OPCO or the OPCO's shareholding in Jiande Hospital shall be governed by the New VIE Contracts unless Jiande Heyue consents otherwise in writing.

In accordance with applicable PRC laws and regulations, under the condition that the OPCO executes the VIE Contracts in accordance with the terms of the structured contract, New VIE Contracts will not be challenged by the PRC tax authorities or other governmental authorities, unless the PRC tax authorities determine that such transactions do not comply with the independent transaction principle.

Risks associated with the New VIE Contracts

The PRC Equity Owners may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial conditions.

Certain terms of the New VIE Contracts may not be enforceable under PRC law and enforcement of certain of the Group's rights under the New VIE Contracts is subject to regulatory approval.

Mitigation actions taken by the Company

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the PRC Equity Owners and the Group. Each of the PRC Equity Owners has made certain consents, confirmations and the undertakings.

The PRC Equity Owners have undertaken under the Exclusive Option Agreements that, during the period that the New VIE Contracts remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Jiande Heyue or Jiande Heyue's direct or indirect shareholders. If there is any conflict of interest, Jiande Heyue shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The PRC Equity Owners and the OPCO will unconditionally follow the instructions of Jiande Heyue to take any action to eliminate such conflict of interest.

All the agreements which constitute the New VIE Contracts are governed by PRC laws and all disputes will be submitted for arbitration, whose ruling will be final and binding. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In the event that the Group is unable to enforce the New VIE Contracts, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert control over the PRC Equity Owners, the OPCO and the 30% equity interests in Jiande Hospital.

REPORT OF THE DIRECTORS

Risks associated with the New VIE Contracts

Mitigation actions taken by the Company

The New VIE Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the OPCO Group and the PRC Equity Owners, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. However, under the PRC law, the parties may apply to a PRC court for enforcement of the arbitral award. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any of the New VIE Contracts by the OPCO Group and the PRC Equity Owners, and if the Group is unable to enforce the New VIE Contracts, the Group may not be able to exert control over the PRC Equity Owners, the OPCO and the 30% equity interests in Jiande Hospital, which could negatively affect our ability to conduct our business.

Pursuant to the New VIE Contracts, Jiande Heyue (or its designee) has the exclusive right to purchase all or any part of the equity interests in the OPCO and all or any part of the 30% equity interests in Jiande Hospital from the PRC Equity Owners and the OPCO by the minimum price permitted under the then applicable PRC laws. The equity interests transfer is subject to the approval from or filings with the PRC's competent departments, which is outside of the Group's control. As disclosed in the Company's announcement dated 16 February 2022 and confirmed by the parties to the VIE Contracts, the Company's PRC legal advisers believe that the new VIE Contracts are entered into for the purpose of fulfilling the commercial purpose of the parties and minimising the possibility of violating applicable PRC laws and regulations.

Risks associated with the New VIE Contracts

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

The Group would be adversely affected if OPCO suffers losses

Mitigation actions taken by the Company

Foreign Investment Law does not contain a concrete guidance to deal with the existing VIE structures. As such, the Board will monitor the implementation of the Foreign Investment Law and discuss with the Company's PRC legal adviser on a regular basis in order to assess any possible impact arising from the implementation of the Foreign Investment Law on the New VIE Contracts and the business operation of the OPCO Group. In case there would be material and adverse effect on the Onshore Target Companies or the business of the OPCO Group arising from the Foreign Investment Law, the Company will timely publish announcements in relation to (i) any amendments to or interpretations of the Foreign Investment Law; and (ii) any material impact of the Foreign Investment Law on the OPCO Group's operations and financial position.

As advised by our PRC legal adviser, none of the New VIE Contracts contains the provisions that the Group is obligated to share the losses of the OPCO or provide financial support to the OPCO. Further, the OPCO is a limited liability company and will be solely liable for its own debts and losses with assets and properties owned by it. Under the PRC laws, Jiande Heyue is not required to share the losses of the OPCO or provide financial support to the OPCO.

REPORT OF THE DIRECTORS

Risks associated with the New VIE Contracts

Limitations in acquiring ownership in the equity interest of the OPCO

The Company does not have any insurance which covers the risks relating to the New VIE Contracts and the transactions contemplated thereunder

Mitigation actions taken by the Company

Pursuant to the Exclusive Option Agreements, (i) each of the PRC Equity Owners irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the OPCO itself or through its designated person(s), (ii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the OPCO itself or through its designated person(s), (iii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the 30% of equity interests in Jiande Hospital from the OPCO itself or through its designated person(s), and (iv) Jiande Hospital irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jiande Hospital attributable to the OPCO from Jiande Hospital itself or through its designated person(s). Jiande Heyue may appoint designated person(s) when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners, the OPCO and Jiande Hospital will undertake that they/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Jiande Heyue.

The Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the New VIE Contracts.

Waiver from the Stock Exchange and annual review

On 3 April 2022, the Company has applied for a waiver (the “**Waiver**”) pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the New VIE Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the service fees payable by the OPCO to Jiande Heyue under Rule 14A.53 of the Listing Rules. The Stock Exchange has granted the Waiver, subject to conditions.

The independent non-executive Directors have confirmed that (i) the transactions carried out during the year ended 31 December 2025 have been entered into in accordance with the relevant provisions of the New VIE Contracts and that the profit generated by the OPCO Group has been substantially retained by the Group; (ii) no dividends or other distributions have been made by the OPCO Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO Group during the year ended 31 December 2025 (if any) are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.

For further details of the New VIE Contracts, please refer to the announcements published by the Company on 27 October 2017, 1 November 2017, 16 February 2022, 3 April 2022 and the circular published by the Company on 15 December 2017.

Confirmation from Directors in respect of continuing connected transactions

The independent non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

The Company confirms that it has complied with the reporting and annual review requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions set out above.

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions set out above are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of business of the Group, are on normal or better commercial terms, and are in the interests of the shareholders of the Company as a whole.

Auditor's report on continuing connected transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions as disclosed above in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

Save for the continuing connected transaction as disclosed above and the related party transactions as disclosed in Note 29 to the consolidated financial statements in this annual report, during the year ended 31 December 2025, the Company did not enter into any connected transactions and/or continuing connected transactions which were required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules. The Company has complied with all applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, under section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (iii) which were required under the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares of the Company	Approximate percentage of shareholding interest ⁽²⁾
Ms. Liu Lu	Interest of controlled corporation	9,037,200 ⁽¹⁾	6.54%

Notes:

(1) Ms. Liu Lu is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)) (“Hefei Kangyang LP”), which holds 55% of the equity interest in Anhui Zhong’an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司) (“Anhui Zhong’an”). Anhui Zhong’an is the general partner of Anhui Zhong’an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)) (“Anhui Zhong’an LP”), which is a limited partnership formed under the laws of the PRC as an investment vehicle and holds approximately 6.54% of the issued share capital of the Company. Ms. Liu Lu is a director of Anhui Zhong’an.

(2) As of 31 December 2025, the total number of issued shares of the Company was 138,194,000.

Save as disclosed above, as of 31 December 2025, so far as is known to the Directors, none of the Directors and chief executives of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2025, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued shares of the Company:

Name of shareholder	Capacity/Nature of interest	Number of shares or underlying shares of the Company	Approximate percentage of shareholding interest ⁽⁶⁾
Vanguard Glory ⁽¹⁾	Beneficial owner	123,000,000	89.01%
Hony Capital Fund V, L.P. ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P. ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Group Management Limited ⁽²⁾⁽³⁾	Interest in controlled corporation	161,693,985	117.01%
Hony Managing Partners Limited ⁽²⁾⁽³⁾	Interest in controlled corporation	161,693,985	117.01%
Exponential Fortune Group Limited ⁽²⁾⁽³⁾	Interest in controlled corporation	161,693,985	117.01%
Hony Fund VIII ⁽³⁾	Beneficial owner	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman), L.P. ⁽³⁾	Interest in controlled corporation	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman) Limited ⁽³⁾	Interest in controlled corporation	38,693,985	28.00%
Mr. Zhao John Huan ⁽⁴⁾	Interest in controlled corporation	161,693,985	117.01%
Anhui Zhong'an LP ⁽⁵⁾	Beneficial owner	9,037,200	6.54%
Anhui Zhong'an ⁽⁵⁾	Interest in controlled corporation	9,037,200	6.54%
Hefei Kangyang LP ⁽⁵⁾	Interest in controlled corporation	9,037,200	6.54%
Anhui Chuanggu Equity Investment Fund Management Co., Ltd. (安徽創谷股權投資基金管理有限公司) ⁽⁶⁾	Interest in controlled corporation	9,037,200	6.54%
Mr. Niu Yang ⁽⁵⁾	Interest in controlled corporation	9,037,200	6.54%

Notes:

- (1) Vanguard Glory is a wholly-owned subsidiary of Hony Fund V, L.P. and holds (a) 97,000,000 shares of the Company and (b) convertible bonds issued by the Company, which can be converted into 26,000,000 shares of the Company and represent approximately 18.81% of the issued share capital of the Company as of 31 December 2025. For further details, please refer to the section headed “Convertible Bonds” in this report.
- (2) Hony Capital Fund V, L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund V GP Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (3) Hony Capital Fund VIII (Cayman), L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund VIII (Cayman), L.P. is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (4) Mr. Zhao John Huan is deemed to be interested in a total of 161,693,985 shares that are held by his controlled corporations, Vanguard Glory and Hony Fund VIII. Vanguard Glory holds 97,000,000 shares of the Company and holds convertible bonds issued by the Company that can be converted into 26,000,000 shares of the Company. Hony Fund VIII holds convertible bonds issued by the Company that can be converted into 38,693,985 shares of the Company. For details, please refer to the section headed “Convertible Bonds” in this report.
- (5) Anhui Zhong’an LP is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong’an LP is Anhui Zhong’an, which is jointly held as to 55% by Hefei Kangyang LP and as to 45% by Anhui Chuanggu Equity Investment Fund Management Co. Ltd. (安徽創谷股權投資基金管理有限公司). Mr. Niu Yang is one of the general partners of Hefei Kangyang LP. Ms. Liu Lu is a director of Anhui Zhong’an.
- (6) As of 31 December 2025, the total number of issued shares of the Company was 138,194,000.

SHARE-BASED PAYMENT SCHEMES

(a) Post-IPO Share Appreciation Rights Scheme

We adopted a post-IPO share appreciation rights scheme (the “**Post-IPO SARs Scheme**”) on 13 December 2016 to enable the Company to grant post-IPO share appreciation rights (the “**Post-IPO SARs**”) to Post-IPO SARs Eligible Participants (as defined below) as rewards or returns for their contribution or potential contribution to the Company and/or any its the subsidiaries. The Post-IPO SARs Scheme does not involve the grant of options over new securities of the Company. Under the Post-IPO SARs Scheme, directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of its subsidiaries (the “**Post-IPO SARs Eligible Participants**”) who, in the sole opinion of the Board, have contributed to the Company and/or any of its subsidiaries will be entitled to receive cash payments determined based on the appreciation of the notional shares over a specified period pursuant to the Post-IPO SARs Scheme. The Post-IPO SARs Eligible Participants who accepted the offer do not have any voting rights and rights to dividends entitled by the shareholders of the Company.

Details of the Post-IPO SARs Scheme were set out in the Prospectus. Since the Listing Date and up to the date of this report, no Post-IPO SARs had been granted under the Post-IPO SARs Scheme.

(b) Share Award Scheme

The Company has adopted a share award scheme of the Company (the “**Share Award Scheme**”) for a term of 10 years from 18 January 2021.

The following classes of participants (the “**SAS Eligible Participants**”) are eligible for participation in the Share Award Scheme: (a) directors (including executive directors and non-executive directors) of the Company or any of its subsidiaries; (b) employees (including full-time and part-time), officers, agents or consultants of the Company or any of its subsidiaries; and (c) core management members of any hospital owned, managed and/or founded by the Group.

The Board or any committee delegated with the power and authority by the Board to administer the Share Award Scheme (the “**SAS Administration Body**”) may, from time to time, at its absolute discretion select any SAS Eligible Participant (the “**SAS Selected Participant**”) to be entitled to receive a grant of award of Shares (the “**Share Award**”), either Shares subject to vesting criteria or restrictions or Shares granted directly to the SAS Selected Participants which the SAS Administration Body determines to be vested immediately upon acceptance without any vesting conditions, as well as determine the amounts of purchase money for the subscription of shares under the Share Award Scheme. The Share Award Scheme will be funded solely by the existing Shares and will not funded by any new Shares.

The eligibility of any of the SAS Eligible Participant to a Share Award and/or the number of Shares to be granted shall be determined by the SAS Administration Body, taking into consideration matters such as the contribution of the relevant SAS Eligible Participant to the profits of the Group and the general financial condition of the Group. After the SAS Administration Body has determined the number of Shares to be granted and/or the SAS Selected Participants, it shall notify the trustee of the trust set up under the Share Award Scheme (the “**SAS Trustee**”) and (if the SAS Selected Participants are identified) issue the grant letter to the SAS Selected Participants.

The purposes of the Share Award Scheme are (i) to encourage or facilitate the holding of Shares by the SAS Eligible Participants; (ii) to encourage and retain the SAS Eligible Participants to work with the Group; and (iii) to provide additional incentive for the SAS Eligible Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the SAS Eligible Participants with the Shareholders through ownership of Shares.

The Share Award Scheme offers a different form of incentive as compared to the Post-IPO SARs Scheme of the Company, since SAS Eligible Participants will be entitled to receive Shares upon vesting of the Share Awards under the Share Award Scheme, while the Post-IPO SARs Eligible Participants will only be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period under the Post-IPO SARs Scheme. Given the difference in nature of the reward under the Share Award Scheme and the Post-IPO SARs Scheme, the Company believes that the Share Award Scheme will impose less pressure on the Group’s cash flow position and enable the Company to prevent substantive cash outflow while allowing additional incentives to the Participants to contribute to the Group in the foreseeable future.

The remaining life of the Share Award Scheme is five years. No payment is required on acceptance of the Share Awards and for the Share Awarded. As at the date of this report, the total number of shares available for issue under the Share Award Scheme was 13,819,400, representing 10% of the issued shares of the Company.

Since the adoption of the Share Award Scheme on 18 January 2021 and up to the date of this report, no Share Award has been granted, vested, lapsed or cancelled pursuant to the Share Award Scheme.

As of 1 January 2025 and 31 December 2025, the number of shares available for grant under the scheme mandate of the Share Award Scheme was 13,819,400 (representing 10% of the issued shares of the Company as at the date of this report). There is no service provider sublimit being defined under the Share Award Scheme.

The aggregated maximum number of Shares that the SAS Trustee may purchase must not exceed 10% of the Company’s share capital in issue from time to time, i.e. 13,819,400 Shares (representing 10% of the issued shares of the Company as at the date of this report).

REPORT OF THE DIRECTORS

During the reporting period, the SAS Trustee purchased no Shares pursuant to the Share Award Scheme. As at 31 December 2025, the SAS Trustee had purchased 1,697,600 Shares pursuant to the Share Award Scheme, representing approximately 1.23% of the issued shares of the Company as at the date of this report. The remaining number of Shares which may be purchased by the SAS Trustee is 12,121,800, representing approximately 8.77% of the issued shares of the Company as at the date of this report.

Where any grant of Share Awards to a SAS Eligible Participant would result in the shares issued and to be issued in respect of all share awards granted to such person (excluding any share awards lapsed in accordance with the terms of the scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares of the Company in issue, such grant must be separately approved by shareholders of the Company in general meeting with such SAS Eligible Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting. The Company must send a circular to the shareholders.

The vesting period for Share Awards shall not be less than 12 months, which is subject to the Board discretion.

Further details of the Share Award Scheme were set out in the announcement of the Company dated 18 January 2021.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the “**Securities Dealing Code**”) on terms no less stringent than the required standard set out in the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees of the Company, the Company confirms that all Directors and relevant employees of the Company have complied with the Model Code and the Securities Dealing Code during the financial year ended 31 December 2025.

AUDIT COMMITTEE

The annual and interim reports (including the consolidated financial statements contained therein), and result announcements have been reviewed by the Audit Committee. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhou Xiangliang (Chairman) and Mr. Shi Luwen, and Mr. Dang Jinxue. The Audit Committee is of the opinion that such financial statements complies with applicable accounting standards, the Listing Rules and all other applicable legal requirements.

EQUITY-LINKED AGREEMENTS

Save for the share-based payment schemes as set out above and the convertible bonds issued by the Company as disclosed in the section headed “Convertible Bonds” in this report, no equity-linked agreement that would or might result in the Company issuing shares, or requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year ended 31 December 2025 or subsisted at the end of 2025.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Details of compliance by the controlling shareholders of the Company with the deed of non-competition entered into with the Company on 13 December 2016 is set out in the “Corporate Governance Report” of this annual report.

MINIMUM PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company has maintained the prescribed public float as approved by the Stock Exchange since the Listing Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (being the place of incorporation of the Company) or under the Articles which would require the Company to offer new shares on a pro-rata basis to its existing shareholders.

EMOLUMENT POLICY AND SENIOR MANAGEMENT’S EMOLUMENTS

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). Under the Share Award Scheme, Share Award is granted based on individual employee’s performance and the achievement of certain goals that are consistent with the Group’s objective of maximising long-term value for the Shareholders. The remuneration policy and remuneration packages of the Directors and member of the senior management of the Group are reviewed by the Remuneration Committee. The Directors’ fees are subject to approval by the shareholders of the Company at general meetings.

The five individuals whose remuneration was the highest in the Group for the year ended 31 December 2025 included one Director and four members of the senior management.

REPORT OF THE DIRECTORS

Details of the remuneration of the five highest paid individuals and each of the Directors for the year ended 31 December 2025 are set out in Note 6(b) and Note 31 to the consolidated financial statements, respectively. None of the Directors has agreed to waive any emoluments for the year ended 31 December 2025. During the year ended 31 December 2025, no emoluments were paid by the Group to any of the Directors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The Group has adopted certain share-based payment schemes for the purpose of, among others, providing additional incentive for the employees of the Group to achieve performance goals. Details have been set out in the section headed “Share-based Payment Schemes” in the Report of the Directors.

PENSION SCHEME

In Chinese Mainland, the Group operates a central pension scheme operated by the local municipal government and in Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in. The contributions to fund the retirement benefits of the employees are calculated based on certain percentage of the average employee salary as agreed by local municipal government to the schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contribution under the schemes. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution as at 31 December 2024 and 31 December 2025.

Certain subsidiary of the Group operates a post-employment benefit plan during the year ended 31 December 2025. Details of the post-employment benefit plan are set out in Note 22 to the consolidated financial statements. Save as disclosed in Note 22 to the consolidated financial statements in this annual report, for the year end 31 December 2024 and 31 December 2025 the Group did not have any defined benefit plan.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or a substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favor, or in which he/she is acquitted. Such permitted indemnity provision was in force throughout the year ended 31 December 2025 and up to the date of this report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents occurred during the year ended 31 December 2025.

The Group maintains cooperation relationships with suppliers to meet our customers' needs in an efficient and effective manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.

Our major suppliers are generally manufacturers of pharmaceutical products, and had business relationship with the Group for over five years on average. Our largest supplier is headquartered in Shanghai, China and engaged in the wholesale and retail of pharmaceuticals and medical devices. The credit period from the major suppliers is 30 to 365 days. The payables were usually settled within the credit period.

Details of the trade payables of the Group as at 31 December 2025 are set out in Note 18 to the financial statements. Up to the date of this report, approximately 90% of the trade payables to the major suppliers has been settled.

The principal activities of the Group are provision of hospital management services and general hospital services and sales of pharmaceutical products which rely on, among other things, sufficient supply of the pharmaceutical products. The Company is subject to price fluctuation of the pharmaceutical products and could face shortage in supply of pharmaceutical products. To mitigate the risk, the Company has estimated certain periods of the material usages and maintained a safe inventory level. The Company has also developed business relationships with more suppliers for specific pharmaceutical products in order to diversify the risk of relying on single supplier.

During the year ended 31 December 2025, the Group did not have any significant disputes with our major suppliers.

The Group values the views and opinions of all customers and collects their views and opinions through various means and channels, including the use of business intelligence to understand customer trends and needs and analyse customers' feedback on a regular basis. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Our major customers include the Group Hospitals. The years of business relationship of these major customers with the Group was five years in average and the credit terms granted to them ranged from 90 to 365 days. Details of the trade receivables of the Group as at 31 December 2025 are set out in Note 14 to the financial statements. Up to the date of this report, approximately 90% of the trade receivables from the major customers has been settled.

REPORT OF THE DIRECTORS

Our service focuses on improving patients' health condition, and patients have varying expectations on the magnitude of improvement that may result from our services. If we fail to properly manage patients' expectations of the results from the services provided by the Group Hospitals, patients may in turn be dissatisfied with the results of the service provided by the Group Hospitals, and a disappointed client may, among others, complain to the media and file legal claims against the Group Hospitals. Such actions from patients may have a material adverse effect on our reputation, business, and results of operations, financial condition and prospects.

During the year ended 31 December 2025, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. The Group did not have any material dispute with our customers.

MAJOR CUSTOMERS AND SUPPLIERS

In 2025, Jinhua Guangfu Hospital was our largest customer, and the Group received comprehensive management service fees from Jinhua Guangfu Hospital in respect of the provision of management services, supply chain services and other comprehensive management services. In 2025, the management service fees recognised (net of value-added tax) from the top five customers were approximately RMB47.5 million (2024: approximately RMB124.1 million), accounting for approximately 3.2% (2024: approximately 8.6%) of our revenue, and the management service fees recognised from the largest customer accounted for approximately 2.7% (2024: approximately 4.7%) of our revenue for the year ended 31 December 2025. Our other customers are patients of Shanghai Yangsi Hospital* (上海楊思醫院) (“**Yangsi Hospital**”), Cixi Honghe Hospital Company Limited* (慈溪弘和醫院有限公司) (“**Cixi Honghe Hospital**”) and Jiande Hospital, from whom we derive revenue by providing general hospital services.

The majority of these patients rely on public medical insurance programs to pay for their medical treatments.

In 2025, our purchases from the top five suppliers of the Group amounted to RMB217.9 million (2024: approximately RMB207.5 million), accounting for approximately 31.6% (2024: approximately 27.6%) of our total purchase, and the amount of purchase from the largest supplier accounted for approximately 14.6% (2024: approximately 8.2%) of our total purchase for the year ended 31 December 2025.

The Group maintains long-term and stable relationships with its major suppliers and customers. The concentration of revenue from the largest customer was approximately 2.7% for the year, and purchases from the largest supplier accounted for approximately 14.6%. The Board considers that the Group is not overly dependent on any single customer or supplier. The credit terms granted to major customers and offered by major suppliers are considered to be in line with industry practice.

None of the Directors, their close associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of our five largest customers and suppliers.

* For identification purpose only

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2025 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RISK MANAGEMENT

Market Risk

We conduct our business in China, from where we derive our revenue. The functional currency for all of our operating subsidiaries is RMB. In Hong Kong, where the currency is HKD, we accept certain exchange rate risks to meet investment and financing business needs. The wealth management products we held in 2025 were classified as financial assets at fair value through profit and loss. In view of the short maturity and relatively stable prices of those wealth management products, we assess its price risk to be low. Borrowings obtained at variable rates expose us to cash flow interest rate risk, which may be offset in part by cash and wealth management products held at variable rates, and also expose us to fair value interest rate risk. As of 31 December 2025, our borrowings amounted to approximately RMB69.0 million bearing no variable interest rates.

Credit risk

Credit risk mainly arises from cash and cash equivalents, term deposit, financial assets at fair value through profit or loss ("FVPL"), amounts due from related parties, and trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The credit risk of cash and cash equivalents, term deposit, financial assets at FVPL of the Company is limited because the counterparties are mainly state-owned or public listed commercial banks which are high-credit-quality financial institutions in the PRC.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and amount due from related parties (trade in nature). To measure the expected credit losses, trade receivables and amount due from related parties (trade in nature) have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2025 or 31 December 2024, respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

REPORT OF THE DIRECTORS

Other financial assets measured at amortised cost include other receivables, deposits and amounts due from related parties (non-trade in nature). The Directors have assessed that other receivables, deposit and amounts due from related parties (non-trade in nature) have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of the reporting period of the Group is adopted by management. The Directors do not expect any losses from non-performance by the counterparties of other receivables, deposits and amounts due from related parties (others) to be recognised.

Details of the credit risk of the Group during the year ended 31 December 2025 are set out in Note 26(a) to the consolidated financial statements.

Liquidity Risk

We are exposed to liquidity risk. We aim to maintain sufficient cash and cash equivalents to meet our operating capital requirements.

Capital Risk

Our primary objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns to our shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. We actively and regularly review and manage our capital structure to maintain a balance between the higher equity shareholders' returns that may be achieved with higher levels of borrowings and the advantage and security afforded by a sound capital position, and make adjustments to our capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. We monitor our capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. Our liability-to-asset ratio was approximately 78% as of 31 December 2024 and approximately 72% as of 31 December 2025. Neither our Company nor any of our subsidiaries is subject to externally imposed capital requirements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility to promote sustainable development and foster an environmentally-friendly environment. The Group has implemented internal policies and procedures with respect to environmental protection at the Group Hospitals and has engaged qualified service providers to dispose of our Group Hospitals' medical waste. The Group has established a hospital infection management committee that sets out annual work plans and carries out supervision on preventing hospital infections. For the year ended 31 December 2025, the Group incurred approximately RMB977,510.39 (2024: approximately RMB766,380) in environmental compliance costs. The Group integrates international standards, national regulations and industry standards into its medical services, and procurement and business management activities. The specific tasks are performed by the Group's subsidiaries and medical institutions. The Group's functional departments are connected to ensure that daily operations are in line with the environmental, social and governance regulations. During the year ended 31 December 2025 and up to the date of this report, none of our management received reports concerning environmental claims, lawsuits, penalties or administrative sanctions.

Further discussions on the Group's environmental policy and our relationships with various stakeholders are covered by a separate environmental, social and governance report which will be available on the Group's website under the "Investor Relations" section and the website of the Stock Exchange on or before 30 April 2026.

COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are mainly carried out by the Company's subsidiaries in China while the Company's shares are listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China, Hong Kong and the Cayman Islands. During the year ended 31 December 2025 and up to the date of this report, the Group has complied with all the relevant laws and regulations in China, Hong Kong and the Cayman Islands in all material respects.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Vanguard Glory, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited are the controlling shareholders (as defined in the Listing Rules) of the Company (collectively, the "**Controlling Shareholders**"). To ensure that direct and indirect competition does not develop between us and the Controlling Shareholders' other activities, our Controlling Shareholders have entered into a deed of non-competition (the "**Deed of Non-Competition**") as set out in section headed "Relationship with Our Controlling Shareholders – Non-Competition Undertaking" in the Prospectus. The Controlling Shareholders confirmed its compliance of all the undertakings provided under the Deed of Non-Competition. There are no matters which are required to be deliberated by the independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the Controlling Shareholders.

AUDITOR

On 22 June 2022, PricewaterhouseCoopers retired as auditor of the Company and KPMG was appointed as the Company's auditor for the year of 2022 until the conclusion of the next annual general meeting of the Company. The Company has re-appointed KPMG as the Company's auditor for the years of 2023, 2024 and 2025.

The consolidated financial statements of the Company for the years of 2022, 2023, 2024 and 2025 were audited by KPMG.

A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chen Shuai

Chairman and Acting Chief Executive Officer

Hong Kong
26 March 2026

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Chen Shuai (陳帥)

Chairman and Acting Chief Executive Officer

Mr. Chen Shuai (陳帥) (“**Mr. Chen**”), aged 52, was appointed as a non-executive Director, the Chairman of the Board, the acting Chief Executive Officer and the chairman of the Nomination Committee of the Company in June 2020 and was re-designated as an executive Director on 20 November 2020. Mr. Chen joined Hony Capital (a series of private equity investment funds, together with their respective management companies/general partners, “**Hony Capital**”) in 2003 and currently serves as the partner, managing director and general manager of PE funds of Hony Capital, and a member of the business investment committee of Hony Capital’s real estate funds. Mr. Chen fully leads Hony Capital’s PE fund business and has certain investment practises and unique insights in industries such as city services, hotel management, financial services, culture and media, consumer goods and retail and construction materials. Prior to joining Hony Capital, Mr. Chen was the senior financial manager of Wumart Stores, Inc., general manager of the vendor management department of Beijing Jiahe Group (北京家和集團), and senior investment manager of the investment management department and urban strategic circulation department of D’Long International Strategic Investment Company.

Currently, Mr. Chen serves as a non-executive director of Century Ginwa Retail Holdings Limited (a company listed on the Stock Exchange with stock code: 00162). He resigned as a director of I-Mab Biopharma Co., Ltd. (a company listed on NASDAQ with stock code: IMAB), a non-executive director of China Rongzhong Financial Holdings Company Limited (a company listed on the Stock Exchange with stock code: 03963) and a director of Shanghai Chengtuo Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600649) in August 2024, March 2023 and September 2022, respectively. Mr. Chen served as a member of the 11th Finance Sector Youth Union (青聯金融界別) of Shanghai and the 7th Merger, Acquisition and Reorganization Committee (併購重組委) of the China Securities Regulatory Commission.

Mr. Chen obtained his bachelor’s degree in economics from Beijing Forestry University in 1997, and a Master of Business Administration from the China Europe International Business School in 2010.

Pu Chengchuan (蒲成川)

Executive Director

Mr. Pu Chengchuan (蒲成川) (“**Mr. Pu**”), aged 39, was appointed as an executive Director of the Company on 22 June 2021. Currently, Mr. Pu is a member of the Remuneration Committee of the Company. Mr. Pu currently serves as a chief investment officer of the private equity investment department of Hony Capital, focusing on the investment in medical and healthcare-related fields. Prior to joining Hony Capital, Mr. Pu worked in the investment department of CITIC Private Equity Funds Management Co., Ltd. from 2012 to 2016, and in the strategic investment department of Beijing Cathay Health Technology Co, Ltd.* (北京國泰智慧醫療科技有限公司) from 2016 to 2018. Since 30 December 2022, Mr. Pu has been serving as a non-executive director of Xikang Cloud Hospital Holdings Inc. (a company listed on the Stock Exchange with stock code: 09686, formerly known as Neusoft Xikang Holdings Inc.).

Currently, Mr. Pu is a director of certain subsidiaries of the Company, namely, Acute Sky Holdings Limited, Ever Surpass Investments Limited, Oriental Ally Holdings Limited, Shanghai Weikang Investment Management Co., Ltd.* (上海維康投資管理有限公司), Zhiyuan Medical and Shanghai Honghe Zhiyuan Medical Management Co., Ltd.* (上海弘和致遠醫療管理有限公司), and a director of Yangsi Hospital. Mr. Pu is also currently a supervisor of certain subsidiaries of the Company, namely, Honghe Yixin Investment Management (Shanghai) Co., Ltd.* (弘和醫信投資管理(上海)有限公司), Beijing Hongyuan Zhiying Enterprise Management Consulting Co., Ltd.* (北京弘遠智盈企業管理諮詢有限公司), Tibet Honghe Zhiyuan and Dazi Honghe Ruixin Medical Technology Co., Ltd.* (達孜弘和瑞信醫療科技有限公司).

Mr. Pu obtained his Bachelor’s degree in Science (Physics) from Tsinghua University in July 2008 and his Master’s degree in Finance from Peking University in June 2012.

* For identification purpose only

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Pan Jianli (潘建麗)

Executive Director

Ms. Pan Jianli (潘建麗) (“**Ms. Pan**”), aged 48, was appointed as the Chief Financial Officer of the Company in April 2021, and was appointed as an executive Director of the Company on 29 March 2022. Ms. Pan serves as a member of Nomination Committee of the Company with effect from 26 March 2025. Currently, she is responsible for the supervision and management of the Company in the fields such as finance, investment and financing, risk control and auditing. Ms. Pan has over 20 years of work experience in the field of financial management and investment, and has extensive experience in financial auditing, merger, acquisition and reorganization, and cross-border investment and financing of listed companies. Since 6 December 2019, Ms. Pan has been serving as an independent non-executive director of China Shuifa Singyes New Materials Holdings Limited (a company listed on the Stock Exchange with stock code: 08073), formerly known as China Singyes New Materials Holdings Limited, and as the chairman of the audit committee and a member of the remuneration committee of this company.

Currently, Ms. Pan is a director of certain subsidiaries of the Company, namely Bliss Success Holdings Limited, Impeccable Success and New Pride Holdings Limited, and a director of Yangsi Hospital.

Ms. Pan obtained her master’s degree in management from Guanghai School of Management, Peking University (北京大學光華管理學院) in the PRC in 2009 and her bachelor’s degree in economics from Shandong University of Finance and Economics (山東財經大學) in the PRC in 1999. Ms. Pan is concurrently a senior accountant in China and a member of the Chinese Institute of Certified Public Accountant.

Liu Lu (劉路)

Non-executive Director

Ms. Liu Lu (劉路) (“**Ms. Liu**”), aged 53, was appointed as a non-executive Director of the Company on 26 May 2017. Ms. Liu is mainly responsible for overseeing the corporate development and strategic planning of our Group. From November 2008 to March 2015, Ms. Liu served as an assistant to the general manager and subsequently a deputy general manager at Anhui Venture Capital Investment Co., Ltd. (安徽省創業投資有限公司). From March 2015 to February 2016, Ms. Liu was a deputy general manager at Anhui Hi-Tech Industry Investment Co., Ltd. (安徽省高新技術產業投資公司). Since December 2015, Ms. Liu has been the general manager of Anhui Zhong’an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司). She currently serves as a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (安徽山河藥用輔料股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300452) and Anhui Tongyuan Environment Energy Saving Co., Ltd. (安徽省通源環境節能股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 688679). For directorships held by Ms. Liu in substantial shareholders of the Company within the meaning of Part XV of the SFO, please refer to the section headed “Report of the Directors – Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares of the Company” in this annual report.

Ms. Liu obtained her bachelor’s degree and master’s degree in biology from Hebei University (河北大學) in June 1994 and from Nankai University (南開大學) in June 1997, respectively.

Wang Nan (王楠)

Non-executive Director

Ms. Wang Nan (王楠) (“**Ms. Wang**”), aged 50, was appointed as a non-executive Director of the Company on 26 May 2017. Ms. Wang is mainly responsible for overseeing the corporate development and strategic planning of our Group. Since August 1995, Ms. Wang has served in Neusoft Corporation (東軟集團股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600718), where she holds various positions, including the head of the mobile internet division, a deputy director of the advanced automotive electronic technology research center and the general manager of the strategic alliance and international business development division. Ms. Wang has been serving as a senior vice president since May 2011 and secretary to the board of directors since December 2011. From April 2021 to April 2025, she also served as chief investment officer of this company. Since 18 November 2015, Ms. Wang has been serving as a non-executive director of Xikang Cloud Hospital Holdings Inc. (a company listed on the Stock Exchange with stock code: 09686, formerly known as Neusoft Xikang Holdings Inc.).

Ms. Wang obtained her Doctor of Philosophy degree in computer applications from Northeastern University (東北大學) in China in July 2009.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Dang Jinxue (党金雪)

Independent non-executive Director

Mr. Dang Jinxue (党金雪) (“**Mr. Dang**”), aged 71, was appointed as an independent non-executive Director on 9 March 2020. Currently, Mr. Dang is the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. He has extensive experience as a hospital director, has outstanding ability in handling all aspects of hospital development and management, and also has in-depth knowledge of the medical capital market. Mr. Dang served as the dean of sales of Xijing Hospital (西京醫院) from December 2003 to 2010, and the dean of Weinan Economic Development Zone People’s Hospital (private) (渭南經開區人民醫院(民營)) from 2011 to 2014. He served as the dean of Xi’an Chang’an Hospital (private) (西安長安醫院(民營)) from July 2013 to December 2016 and the medical director of Xi’an Xin Chang’an Medical Investment Company Limited (西安新長安醫療投資有限公司) from January 2017 to January 2018. Since March 2018, Mr. Dang has been serving as the deputy general manager of Beijing Kangjia Yongjian Medical Investment Management Company Limited (北京康嘉永健醫療投資管理有限公司). From August 2019 to September 2022, Mr. Dang served as the dean of preparation of Yulin Rehabilitation Hospital (Youfang Hospital) (榆林康復醫院(友芳醫院)).

Mr. Dang graduated from the military medical department of the Fourth Military Medical University (第四軍醫大學軍醫系) in 1984 and joined the Department of Psychology of Shaanxi Normal University (陝西師範大學) as a guest researcher in 2002. Mr. Dang previously served as the leader of the rating review team of Shaanxi Provincial Hospital (陝西省醫院) and an expert of the Shaanxi Provincial Rural Cooperative Medical Technical Guidance Group (陝西省農村合作醫療技術指導組) from 2006 to 2010. Currently, he is a registered medical practitioner.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Shi Luwen (史錄文)

Independent non-executive Director

Mr. Shi Luwen (史錄文) (“**Mr. Shi**”), aged 62, was appointed as an independent non-executive Director on 13 December 2016 with effect from the Listing Date. Currently, Mr. Shi is a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Shi has served as a professor of the Department of Pharmacy Administration and Clinical Pharmacy of Peking University School of Pharmaceutical Sciences (北京大學藥學院) since 2000 and as the director of the International Research Center for Medical Administration of Peking University (北京大學醫藥管理國際研究中心) since 2002. Mr. Shi currently holds positions in various organizations, including those set out below:

Name of organization	Position
Chinese Pharmacists Association (中國藥師協會)	Chairman
Pharmaceutical Affairs Management Commission of Chinese Pharmaceutical Association (中國藥學會藥事管理專委會)	Committee member
Pharmacoeconomics Expert Committee of Chinese Research Hospital Association (中國研究型醫院學會藥物經濟學專業委員會)	Chairman
Rare Disease Branch of Beijing Medical Association (北京醫學會罕見病分會)	Vice chairman
National Health Commission Committee on Pharmaceutical Administration and Pharmacotherapy (國家衛生健康委藥事管理與藥物治療學委員會)	Vice chairman
The Second Expert Committee on the Diagnosis and Treatment of Rare Diseases of the National Health Commission (國家衛生健康委第二屆罕見病診療與保障專家委員會)	Committee member
Pharmaceuticals Price and Tender Procurement Guidance Center of National Healthcare Security Administration (國家醫療保障局醫藥價格和招標採購指導中心)	Member of the expert panel
Expert Committee of National Food and Drug Administration for Consistency Evaluation on Quality and Efficacy of Generic Drugs (國家食品藥品監督總局仿製藥質量和療效一致性評價專家委員會)	Committee member
Medical Service Industry Branch of the China International Association for Promotion of Science and Technology (中國國際科技促進會醫藥服務產業分會)	Chairman
Evidence-Based Medicine Committee of the China International Exchange and Promotive Association for Medical and Health Care (中國醫療保健國際交流促進會循證醫學專業委員會)	Chairman
Regulatory Research Committee of the Beijing Pharmaceutical Association (北京藥學會監管研究專業委員會)	Chairman

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi was an independent non-executive director of China Meheco Co., Ltd. (中國醫藥健康產業股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600056) from December 2015 to December 2021. Currently, Mr. Shi serves as an independent non-executive director of China National Medicines Corporation Ltd. (國藥集團藥業股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 600511), Shandong Boan Biotechnology Co., Ltd. (a company listed on the Stock Exchange with stock code: 06995), Sunho Biologics, Inc. (a company listed on the Stock Exchange with stock code: 02898), and China Resources Pharmaceutical Group Limited (a company listed on the Stock Exchange with stock code: 03320) respectively. Mr. Shi also serves as an independent director of Beijing Centergate Technologies (Holding) Co., Ltd. (北京中關村科技發展(控股)股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000931). Mr. Shi was awarded the Scientific Chinese Person (2011) (科學中國人(2011)年度人物) by the Scientific Chinese Magazine in 2012, the Hospital Science and Technology Innovation Award (醫院科技創新獎) by the Chinese Hospital Association in 2011 and the Xue Muqiao Price Research Award (薛暮橋價格研究獎) by the Price Association of China (中國價格協會) in 2010. He was awarded the Beijing Science and Technology Award (北京市科學技術獎) by the People's Government of Beijing Municipality in 2002.

Mr. Shi obtained his bachelor's degree in science from the Peking University Health Science Center (北京大學醫學部) (formerly known as Beijing Medical University (北京醫科大學)) in July 1987 and his master's degree in health professions education from the University of Illinois in the United States in July 1992.

Zhou Xiangliang (周向亮)

Independent non-executive Director

Mr. Zhou Xiangliang (周向亮) (“**Mr. Zhou**”), aged 45, was appointed as an independent non-executive Director on 13 December 2016 with effect from the Listing Date. Currently, Mr. Zhou is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Zhou serves as a member of Nomination Committee of the Company with effect from 26 March 2025. Mr. Zhou has served as the chief financial officer of Beijing Science Technology Co., Ltd. (北京中環信科科技股份有限公司) since July 2010 and has also held the position of board secretary since August 2011. Prior to working in Beijing Science Technology Co., Ltd., Mr. Zhou worked as a consultant in KPMG Huazhen LLP.

Mr. Zhou obtained his bachelor's degree in management from the Central University of Finance and Economics (中央財經大學) in China in June 2003. He was qualified as a Chinese Certified Public Accountant (中國註冊會計師) by the Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in July 2007 and as a board secretary by the Shenzhen Stock Exchange in November 2012. He has served as the manager of Tianjin Hexinyuan Investment Co., Ltd.* (天津和信源投資有限公司) since July 2018.

SENIOR MANAGEMENT

Wu Yuanzhi (吳遠志)

Executive vice president of the Company

Mr. Wu Yuanzhi (吳遠志) (“**Mr. Wu**”), aged 66, was appointed as executive vice president of the Company in January 2023. He is primarily responsible for supervising the healthcare quality management of our Company. He joined our Group in September 2019 and served as the healthcare director of the Group and was later promoted to be the deputy general manager. Prior to joining the Group, Mr. Wu successively served as the head of the surgical department, vice hospital administrator and hospital administrator and secretary of the party committee of Wugang No.2 Hospital (武鋼二醫院), vice hospital administrator of Wugang General Hospital (武鋼總醫院), deputy general manager of the China Resources Wugang Hospital Management Co., Ltd. (華潤武鋼醫院管理公司) and etc. under China Resources Healthcare Group Limited (華潤醫療集團有限公司) from 1982 to 2019.

Mr. Wu graduated from the Medical School of Hubei Minzu University (湖北民族大學醫學院) in March 1982.

Ding Yue (丁玥)

Vice president of the Company

Ms. Ding Yue (丁玥) (“**Ms. Ding**”), aged 53, was appointed as the vice president of our Company in January 2023. She is primarily responsible for supervising the healthcare quality management of our Company. Currently, she is an executive council member of Beijing Nursing Association (北京護理學會) and a member of administration committee of the Chinese Nursing Association (中華護理學會). She joined our Group in March 2014. Prior to joining our Group, Ms. Ding served as nursing supervisor (護理主管) of the hospital management office in Peking University Health Science Center (北京大學醫學部醫院管理處) from July 2012 to February 2014. From August 1996 to June 2012, Ms. Ding worked at Beijing Cancer Hospital as the head of the nursing department and the deputy head of the nursing department.

Ms. Ding obtained her bachelor’s degree in medicine in July 1996 from the School of Nursing of Peking University in China.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Kan Ruihan (關睿涵)

Vice President officer of the Company

Ms. Kan Ruihan (關睿涵) (“**Ms. Kan**”), aged 55, is a senior accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. She joined the Company in June 2014 and has served as finance manager, chief financial officer and director of internal control of the Company and was later promoted in January 2023 to the position of vice president officer. She is primarily responsible for internal control development and internal audit matters of the Company. Prior to joining the Company, Ms. Kan was the accounting manager of the Greater China in Lenovo Group (聯想集團) from April 2005 to June 2014.

Ms. Kan obtained her bachelor’s degree from the University of Science and Technology Beijing Admissions (北京科技大學) in 1993 and her master’s degree in management from Renmin University of China (中國人民大學) in 2003.

Zhang Lixin (張立新)

Vice president officer of the Company

Mr. Zhang Lixin (張立新) (“**Mr. Zhang**”), aged 52, was appointed as the chief supply chain management officer (供應鏈管理部總監) of the Company in December 2020, and was later promoted to be vice president in January 2023. He is primarily responsible for the strategic research and operation management of supply chain. Prior to joining the Group, Mr. Zhang served as a senior consultant and a senior investment management manager of Hony Capital from 2010 to 2020, respectively. He was also the chief logistic management officer of Greater China in Lenovo Group (聯想集團) from 1997 to 2010.

Mr. Zhang obtained his master’s degree of business administration from the Business School Netherlands (荷蘭商學院) in September 2015 and his bachelor’s degree of management of agricultural economy in Huazhong Agricultural University (華中農業大學) in June 1997.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Yang Su (楊蘇)

Vice president officer of the Company

Ms. Yang Su (楊蘇), aged 46, is an accountant and was appointed as the chief performance officer (績效總監) of the Company in September 2018 and was later promoted to be vice president in January 2025. She is mainly responsible for conducting hospital administrators' annual performance appraisal across all Group Hospitals, devising performance proposals for every hospital, and evaluating the capital expenditure. Prior to joining our Group, Ms. Yang served as a deputy senior staff member of the finance department of the Guangdong 999 Neurology Hospital (廣東三九腦科醫院) under China Resources Healthcare Group Limited (華潤醫療集團) from 2005 to February 2017. She was also the manager of finance department of Foresea Life Insurance Hospital (前海人壽醫院) under Baoneng Group (寶能集團) from 2017 to 2018.

Ms. Yang obtained her bachelor's degree in Sun Yat-sen University (中山大學) in December 2009.

Liu Hui (劉輝)

Vice president officer of the Company

Mr. Liu Hui (劉輝), aged 36, served as senior legal manager of the Company from 2017 to September 2018, re-joined in July 2020, and was subsequently appointed as chief legal officer and secretary to the Board. He was later promoted to be vice president in January 2025. He is primarily responsible for the Company's domestic and overseas compliance services. Prior to joining our Group, Mr. Liu served as a practicing lawyer of the securities department in DeHeng Law Offices, Beijing (北京德恒律師事務所公司) from 2015 to July 2017 and successively served as a senior legal consultant of Haier Group (Qingdao) Financial Holdings Ltd. (海爾集團(青島)金融控股有限公司) and the legal officer of HAI Cloud Exchange (HK) Ltd. (海雲匯(香港)有限公司) from 2018 to June 2020.

Mr. Liu obtained his master's degree of law from Jilin University (吉林大學) in 2015.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules. Save as disclosed herein, the Board considered that, during the year under review, the Company has complied with the applicable code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Please refer to the paragraph under “Chairman and Chief Executive Officer” below for details.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Mr. Chen Shuai (*Chairman and Acting Chief Executive Officer*)

Mr. Pu Chengchuan

Ms. Pan Jianli

Non-executive Directors:

Ms. Liu Lu

Ms. Wang Nan

Independent Non-executive Directors:

Mr. Dang Jinxue

Mr. Shi Luwen

Mr. Zhou Xiangliang

The biographical information of the Directors is set out in the section headed “Biographies of Directors and Senior Management” on pages 52 to 61 of this annual report.

As at the date of this report, there is no relationship, including financial, business, family or other material and relevant relationship, among members of the Board and the senior management.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflicts of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of their responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure an appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors, where appropriate.

During the year under review, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests. During the year under review, relevant reading materials, including legal and regulatory updates, have been provided to the Directors appointed (if any) for their reference and study.

CORPORATE GOVERNANCE REPORT

In accordance with Rules 3.09F, 3.09G and 3.09H of the Listing Rules, all Directors have participated in appropriate continuous professional development during the year ended 31 December 2025 by attending training courses and reading materials relevant to the Company's business or to their duties and responsibilities, which covered the board and directors' duties, Listing Rules and Hong Kong law compliance, corporate governance and ESG, risk management and internal controls, and industry and business updates. The Company confirms that all Directors, including first-time directors where applicable, have completed the required Continuous Professional Development. A summary of the training completed by each Director, as recorded by the Directors, is as follows:

Names of Directors	Type of Training <small>(Note)</small>	Total Hours
Executive Directors		
Mr. Chen Shuai	A, B and C	13
Mr. Pu Chengchuan	A, B and C	17
Ms. Pan Jianli	A, B and C	31
Non-Executive Directors		
Ms. Liu Lu	A, B and C	13
Ms. Wang Nan	A, B and C	18
Independent Non-Executive Directors		
Mr. Dang Jinxue	A, B and C	15
Mr. Shi Luwen	A, B and C	21
Mr. Zhou Xiangliang	A, B and C	19

Note:

A: Internal Training

B: External Training

C: Self-study

Insurance for Directors

Code provision C.1.8 of the CG Code stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

Chairman and Chief Executive Officer

Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Shan Guoxin resigned as the chief executive officer of the Company (“**Chief Executive Officer**”) and Mr. Zhao John Huan resigned as the chairman of the Board with effect from 23 June 2020. On the same day, Mr. Chen Shuai has been appointed as the chairman of the Board and the acting Chief Executive Officer. Mr. Chen will only serve as the acting Chief Executive Officer until the Board appoints a new Chief Executive Officer. The Board is in the course of identifying suitable candidate to fill the position of Chief Executive Officer in order to seek to comply with provision C.2.1 of the CG Code again, and believes that Mr. Chen serving concurrently as the acting Chief Executive Officer can ensure the normal operation of the Company in the meantime and is in the interests of the Company and its shareholders as a whole.

Independent Non-executive Directors

During the year under review, the Board has complied with the requirements of the Listing Rules to appoint at least three independent non-executive Directors, representing at least one-third of the Board, with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Director Tenure and Independence

The Board has reviewed the tenure of its independent non-executive Directors in accordance with Rule 3.13A of the Hong Kong Listing Rules.

Mr. Dang Jinxue was appointed on 9 March 2020. As at 31 December 2025, his tenure will be 5 years and 10 months.

Mr. Shi Luwen was appointed on 13 December 2016. As at 31 December 2025, his tenure will be 9 years and approximately 2 weeks.

Mr. Zhou Xiangliang was appointed on 13 December 2016. As at 31 December 2025, his tenure will be 9 years and approximately 2 weeks.

In light of their tenure exceeding nine years, the Board, upon the recommendation of the Nomination Committee, has carefully assessed the independence of Mr. Shi Luwen and Mr. Zhou Xiangliang. The Board confirms that both directors continue to demonstrate strong character, integrity, and judgement, and fulfil the independence criteria set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board confirms that, having conducted a review through the Nomination Committee, each INED continues to fulfil the independence criteria as set out in Rule 3.13 of the Listing Rules. The Board is satisfied with the contributions of all independent non-executive Directors and believes that their continued service is in the best interests of the Company.

The Board is aware of and will fully comply with the requirements under Rule 3.13A and Code Provisions B.2.3 and B.2.4 of the Corporate Governance Code regarding the tenure and re-appointment of independent non-executive Directors.

Directors' Re-election

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Save for two of the non-executive Directors who are engaged on an appointment letter for a term of 1 year, each of the Directors is engaged on a service contract or appointment letter (as the case may be) for a term of 3 years.

In accordance with the Articles, all Directors are subject to retirement by rotation and re-election at an annual general meeting of the Company at least once every three years and any Director appointed by the Board or elected by the shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting, as the case may be, of the Company after his/her appointment and be subject to re-election at such meeting.

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision C.5.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximate quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication.

CORPORATE GOVERNANCE REPORT

The attendance records of each Director while holding such offices at Board and Board committee meetings and general meetings of the Company held during the year ended 31 December 2025 are set out in the table below:

	Number of meetings attended/held				
	Board Meeting(s)	Audit Committee Meeting(s)	Remuneration Committee Meeting(s)	Nomination Committee Meeting(s)	General Meeting(s)
Executive Directors					
Mr. Chen Shuai	4/4*	-	-	1/1*	2/2
Mr. Pu Chengchuan	4/4	-	1/1	-	2/2
Ms. Pan Jianli ^(Note)	4/4	-	-	-	2/2
Non-executive Directors					
Ms. Liu Lu	4/4	-	-	-	2/2
Ms. Wang Nan	4/4	-	-	-	2/2
Independent non-executive Directors					
Mr. Dang Jinxue	4/4	2/2	1/1*	1/1	2/2
Mr. Shi Luwen	4/4	2/2	-	1/1	2/2
Mr. Zhou Xiangliang ^(Note)	4/4	2/2*	1/1	-	2/2

* the chairman of the Board or the committees

Note: Ms. Pan Jianli and Mr. Zhou Xiangliang were appointed as members of the Nomination Committee on 26 March 2025.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference. The terms of reference of the Board committees are posted on the website of the Company and of Hong Kong Exchanges and Clearing Limited ("HKEX") and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, internal control procedures and risk management system, relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year. The following matters have been discussed and considered:

- (a) the audit related matters of the Company (including but not limited to the Group's financial accounting policies and practices, and the work performed by the external auditor of the Company);
- (b) the annual results announcement and annual report of the Company for the year ended 31 December 2024, and the interim results announcement and interim report of the Company for the six months ended 30 June 2025;
- (c) the independent auditor's report prepared by the external auditor of the Company;
- (d) the Company's risk management and internal control system and the effectiveness thereof, and discussed the same with management;
- (e) the re-appointment of the external auditor of the Company for 2025; and
- (f) the Company's continuing connected transactions.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee held one meeting during the year and considered and recommended the following matters to the Board:

- (a) remuneration and other benefits paid by the Company to the Directors and senior management of the Company;
- (b) the performance of the executive Directors, and terms of executive Directors' service contracts; and
- (c) the structure, size and composition of the Board.

The annual remuneration of the members of the senior management by band for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of individuals
Nil to HKD1,000,000	–
HKD1,000,001 to HKD1,500,000	3
HKD1,500,001 to HKD2,000,000	1

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning for directors, assisting in maintaining the Board Skills Matrix and assessing the independence of independent non-executive Directors.

During the year ended 31 December 2025, the Nomination Committee reviewed the Board's structure, size, and composition against the Board Skills Matrix, assessing the skills, knowledge, experience, independence, and time commitment of each Director. Based on this review, the Committee recommended changes to better align the Board with the corporate strategy. Its responsibilities also included identifying and selecting qualified director candidates, making recommendations on appointments, re-appointments, and succession planning for the Chairman, Chief Executive, and other directors, and supporting the regular evaluation of Board's performance.

Nomination Procedures and Policy

In evaluating and selecting any candidate for directorship, the following criteria are considered: (i) character and integrity; (ii) qualifications; (iii) the above-mentioned measurable objectives adopted for achieving diversity on the Board; (iv) requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the Listing Rules; (v) potential contributions; (vi) willingness and ability to devote adequate time to discharge duties; and (vii) such other perspectives that are appropriate to the Company's business and succession plan. Upon receipt of a proposal on appointment of a new Director and his/her biographical information, the Nomination Committee and the Board will evaluate such candidate based on the aforementioned criteria to determine whether he/she is qualified for directorship. The Nomination Committee will then recommend to the Board the candidate for directorship, if appropriate.

The Board has adopted the nomination policy (the "**Nomination Policy**") which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board.

The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the efficiency of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

To nominate director candidates, candidates would be identified by various methods and evaluated based on the approved selection criteria. Shortlisted candidates would be interviewed and their profiles would be reviewed, before making recommendations to the Board on the selected candidates.

CORPORATE GOVERNANCE REPORT

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

Ms. Ho Wing Yan, an associate member of The Hong Kong Chartered Governance Institute ("HKCGI") and The Chartered Governance Institute and a holder of the Practitioner's Endorsement issued by HKCGI, an external service provider, has been engaged by the Company as its company secretary. Ms. Ho has confirmed that she has complied with Rule 3.29 of the Listing Rules. The primary contact person at the Company is Mr. Liu Hui, the chief legal officer and secretary to the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "Securities Dealing Code") on terms no less stringent than the required standard set out in the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific enquiries with all Directors and relevant employees of the Company, the Company confirms that all Directors and relevant employees of the Company have complied with the Model Code and the Securities Dealing Code throughout the year ended 31 December 2025.

RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

During the Year, the Company has conducted a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries in accordance with Code Provision D.2.1 of the Corporate Governance Code. The review is conducted at least annually and the following disclosures are made:

(a) Board's Responsibility and Acknowledgement

A statement from the Board:

- (i) acknowledging its overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and for maintaining appropriate and effective risk management and internal control systems; and

- (ii) confirming that these systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code.

(b) Key Features of the Systems

The main features of the risk management and internal control systems include a comprehensive framework of policies, standards, and procedures established by the management in areas of operational, financial, and risk controls. The systems are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement, loss, fraud, and errors. Key features include:

- A structured process for identifying, evaluating, and managing significant risks through regular risk assessment surveys and management self-assessments.
- Procedures for implementation of employee code of conduct, internal audit, management report and internal control system in the Group Hospitals.
- Procedures for the timely, accurate, and complete disclosure of discloseable information, including inside information and any other information required to prevent a false market in the Company's securities, in accordance with the Listing Rules.

In order to regulate information disclosure, strengthen management of information disclosure, and protect the rights and interests of the Company and its shareholders and other stakeholders, the Group has put in place procedures and internal controls for the handling and dissemination of inside information (the "**Procedures**") in accordance with the principles and requirements under laws and regulations such as the SFO and the Listing Rules. The Procedures are applicable to persons including the Directors, senior management, responsible person of each department and subsidiary, other persons having the duty for information disclosure, and staff who have access to inside information by virtue of his/her office or capacity. The Procedures provide detailed guidelines on the appropriate timing, contents, formats, internal vetting processes and disseminating procedures of information under different circumstances, the review and disclosure procedures of releasing results announcements, ad hoc announcements, inside information announcements, regular reports and circulars, duties of confidentiality and penalty provisions for all management staff who are responsible for information disclosure.

The Board is of the view that the Company's procedures on and internal controls for handling and disseminating inside information are effective.

CORPORATE GOVERNANCE REPORT

(c) Changes in the Reporting Period

There were no significant changes during the Year in (i) the Company's assessment of significant risks (including ESG risks) or (ii) the risk management and internal control systems.

(d) Internal Audit Function

The Company has an internal audit function supervised by the Audit Committee and assisted by the Internal Control Department. The internal audit department is responsible for periodically assessing the effectiveness of the risk management and internal control systems on a regular basis, ensuring through systematic reviews that internal control measures are effectively implemented. The Audit Committee conducts a comprehensive review at least annually and reports the findings and recommendations for improvement to the Board.

(e) Review Process, Responsibilities, and Frequency

Regarding the responsibility, process, and frequency of reviews, the internal audit department, under the supervision of the Audit Committee, is responsible for conducting reviews to assess the effectiveness of the risk management and internal control systems on a regular basis. The review process includes: identifying key risk areas through systematic evaluation, testing the design and operational effectiveness of control measures, and reviewing relevant documents and records. Reviews are conducted at least once a year, with the Audit Committee reviewing and reporting the results and recommendations to the Board.

(f) Information Supporting the Board's Conclusion

The Board's conclusion on the appropriateness and effectiveness of the risk management and internal control systems is supported and corroborated by multiple sources, including: confirmation from management through periodic assessments and assurances to the Board regarding the operation of internal controls; confirmation from the relevant Board committee responsible for risk management and internal controls (i.e., the Audit Committee) regarding the effectiveness of its supervisory functions; and confirmation from the internal audit department on the effectiveness of its functions, further corroborating the effectiveness of internal controls over financial reporting.

(g) Review Scope and Findings

The scope of the year-end review covered all material controls, including financial, operational, and compliance controls. The review findings concluded that the systems were effective and adequate. No significant control failings or weaknesses were identified during the current reporting period. Consequently, no remedial actions were required.

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmes during the year ended 31 December 2025. The Board considers that the Group's risk management and internal control systems are adequate and effective.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES

In accordance with Code Provisions D.2.6 and D.2.7 of the Corporate Governance Code, the Board has established a whistleblowing policy and system, as well as policies and systems that promote and support anti-corruption laws and regulations.

The whistleblowing policy provides secure and confidential channels for employees and external parties to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Company. The Board affirms that no individual will be penalized for reporting concerns in good faith.

The anti-corruption policy clearly defines ethical standards and codes of conduct, adopts a zero-tolerance stance towards bribery and corruption, and provides guidance on the offering and acceptance of business gifts. In addition, the Group has established channels for employees and those dealing with the Group to report suspected improprieties. The Group has also implemented policies and systems to promote and support compliance with anti-corruption laws and regulations.

Further details on the implementation of these policies, including training provided and monitoring activities, are set out in the separate environmental, social and governance report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 81 to 86 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2025 is set out below:

Service Category	Fees paid/ payable RMB'000
Audit services	2,547
Non-audit services	—
	<hr/>
Total	<u>2,547</u>

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) to achieve and maintain diversity on the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Company considers that the Board Diversity Policy is beneficial for enhancing the Company’s comprehensive performance and operating capability, and provides support for the Company in achieving strategic goals and maintaining sustainable and balanced development.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. Independence: The Board should consist of both executive and non-executive members, including independent non-executive Directors, in order to maintain balance and independence. The independent non-executive Directors should be of high caliber and have sufficient stature for their opinions to carry weight.
2. Skills and experience: The Board is composed of a group of Directors who possess a balance of skills that are appropriate for the requirements of the Company’s business. The Directors have a range of backgrounds in finance, academia, and management, which, when taken together, provide the Company with considerable experience in a variety of activities.
3. Gender equality: The Board currently consists of three female directors. The Board aims to maintain/increase the ratio of female representation in the Board to no less than 35% by or before 2026.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. Rules 3.10(1): at least one third of the members of the Board shall be independent non-executive Directors;
2. Rules 3.10(2): at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise; and
3. Rules 3.10A: at least three of the members of the Board shall be independent non-executive Directors.

The Board has achieved the measurable objectives in the Board Diversity Policy and complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

In respect of the gender diversity of the Board, as at the date of this report, five Directors are male and three Directors are female. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is expected that the ratio of female Directors will reach more than 35% in the following years. The Company will achieve this goal through active nomination of suitable candidates with no gender limitation to be newly appointed Directors in the next few years.

Moreover, the current gender ratio of the Company's workforce (including senior management) is 614 males per 1,195 females, compared with 630 males per 1,211 females of last year. As at the end of the Reporting Period, there were 6 senior management members with 3 female members. Female employees accounted for approximately 66.1% of the Company's workforce, while male employees accounted for approximately 33.9%. The Company strives to achieve employee diversity, with gender diversity being considered in staff recruitment. The Company is committed to promoting gender diversity at all levels, including the Board and senior management levels, and developing a pipeline of female senior management and potential successors to the Board. Hence, the Company will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the Company, which includes market insight, creativity and innovation ability, and improved problem-solving ability. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation ability as proved by research. Moreover, a gender diverse team produces high quality decisions. The Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competitiveness in the future.

WORKFORCE DIVERSITY POLICY

The Company adopted the Workforce Diversity Policy on 26 March 2025, which applies to all employees (including senior management). The Policy recognizes and endorses the advantages and benefits of workforce diversity. All employee appointments are based on the principle of meritocracy, while giving due consideration to the benefits of workforce diversity when evaluating candidates.

Corporate Culture

The Company upholds a corporate culture of "Pursuit of Excellence, Care for Life, and Trustworthiness", fostering an internal drive for perseverance and innovation by emphasizing a cultural philosophy of enterprising spirit, humanistic care, and an integrity foundation. The Company adheres to a people-oriented approach and honest operations, actively fulfills its social responsibilities, and promotes the enterprise's long-term sustainable development. The Board actively supervises and promotes this corporate culture and ensures that appropriate policies, internal controls, and risk management systems are in place to support its implementation.

Board Skills Matrix and Expertise

With reference to B.1.5 of the Corporate Governance Code, the Board has reviewed the mix of skills, knowledge and professional experience of its members. The diverse mix of skills and experience illustrated in the matrix below, particularly in accounting, finance, corporate governance, and business development, equips the Board to effectively guide the Company's strategy, oversee risk, and foster a culture of integrity and sustainable growth.

The Board considers that its current composition provides an appropriate balance of skills and expertise. The Board will continue to review its skills matrix and identify areas for enhancement, and will arrange appropriate training for Directors where necessary.

CORPORATE GOVERNANCE REPORT

The following table further illustrates the skills and expertise of the Board members as at the date of this report:

Technical Field	Description	Importance	Adequacy	Adjustment Plan
Strategic Planning	Identifying strategic opportunities and threats, formulating and implementing plans to achieve corporate objectives	Important	Adequate	Continuous optimisation
Industry Knowledge and Experience	Familiarity with hospital daily operations, market development, competitors, technology and innovation	Essential skill	Adequate	Continuous deepening
Financial Knowledge	Reading and understanding company accounts, financial information and reporting requirements	Essential skill	Adequate	Continuous monitoring
Risk Management and Internal Control	Implementing, managing or supervising risk management and internal control systems	Essential skill	Basically adequate	Recommend arranging directors to attend ESG risk management related training
Diversity	Contribution to board diversity in terms of age, gender, professional background, etc.	Important	Adequate	Continuous monitoring
Emerging Technologies and Industries	Understanding emerging issues to ensure the Company maintains forward-thinking mindset	Effective supplement	Dynamic attention	Recommend arranging directors to attend training related to data assets and AI industrialisation application
Capital Markets and Investor Relations	Communicating with investors, maintaining market image and conducting capital operations	Essential skill	Adequate	Continuous monitoring

BOARD PERFORMANCE REVIEW

The Company recognises the importance of board performance evaluation in enhancing the effectiveness of the Board. While no formal board performance review was conducted during the year ended 31 December 2025, the Company intends to conduct a board performance review in the next reporting period.

Mechanisms to Ensure Independent Views

The Company makes certain that the Board has access to independent views and input through the mechanisms listed below:

1. The Nomination Committee should review the Board composition and the independence of the independent non-executive Directors annually, in particular the portion of the independent non-executive Directors and the independence of the independent non-executive Director who has served for more than nine years.
2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent.
3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also Directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions on the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.
5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The mechanisms to ensure independent views are reviewed by the Nomination Committee for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

DIVIDEND POLICY

The Board has adopted the dividend policy (the “**Dividend Policy**”) which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Dividend Policy aims to allow the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. The dividend distribution decision of the Company will depend on, among others, the financial results, the cashflow, Shareholders' interests, the general business conditions and strategies, the current and future operations, the liquidity and capital requirements, taxation considerations, statutory and regulatory restrictions and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time.

The Dividend Policy will be reviewed on a regular basis.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of HKEX after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles, any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee(s)) (the “**Requisitionist(s)**”) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

There are no provisions in the Articles or the Cayman Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 10, 70/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong (For the attention of the Company Secretary)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.hcchealthcare.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Shareholders' Communication Policy

Purpose

The Company recognises the importance of providing current and relevant information to its shareholders (the "Shareholders"). This shareholders' communication policy (the "Shareholders' Communication Policy") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

General Policy

The Board shall maintain an on-going dialogue with Shareholders and will regularly review the Shareholders' Communication Policy to ensure its effectiveness.

Information is communicated to the Shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and other corporate publications on the website of the Stock Exchange and corporate communications, on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.hcclhealthcare.com.

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Suite 10, 70/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong or through the Company's share registrar.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the website of the Stock Exchange immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Company has reviewed the Shareholders' Communication Policy conducted for the year ended 31 December 2025 and considered that the Shareholders' Communication Policy has been well implemented and effective.

CORPORATE GOVERNANCE REPORT

Constitutional Documents

During the year ended 31 December 2025, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and HKEX's website.

The Board proposed to make certain amendments (the "**Proposed Amendments**") to the existing second amended and restated memorandum and articles of association of the Company (the "**Existing M&A**") for the purpose of, among other things, (i) enabling any general meeting to be held physically, as a hybrid meeting (partially physical and partially electronic) or entirely by electronic means, and attendance, participation and voting by electronic means; (ii) enabling the Company to pay any dividend, interest or other sum payable in cash to any Shareholder by wire transfer; and (iii) making necessary and consequential update to align the Existing M&A with applicable laws of the Cayman Islands and the Listing Rules, and incorporating certain minor consequential and housekeeping amendments. The Board further proposed to adopt the third amended and restated memorandum and articles of association of the Company (the "**Amended M&A**") incorporating and consolidating all the Proposed Amendments, in substitution for, and to the exclusion of, the Existing M&A. The Proposed Amendments and the proposed adoption of the Amended M&A are subject to the consideration and approval by the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company. For details, please refer to the announcement of the Company dated 26 March 2026.



**Independent auditor's report to the shareholders of
Hospital Corporation of China Limited**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hospital Corporation of China Limited (the "Company") and its subsidiaries (the "Group") set out on pages 87 to 164, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

KEY AUDIT MATTER – *continued*

Assessment of goodwill impairment

Refer to note 11 to the consolidated financial statements and the accounting policies in note 2(j).

The Key Audit Matter

How the matter was addressed in our audit

As at 31 December 2025, the goodwill arising from the acquisitions of subsidiaries of the Group amounted to RMB797,452,000 were allocated to cash generating unit (“CGU”) or CGU group among segments of general hospital services and hospital management services. Management reviews the business performance and monitors goodwill on the CGU or CGU group.

Goodwill impairment assessments were undertaken annually or more frequently if events or changes in circumstances indicated a potential impairment. The recoverable amount of the CGU or CGU group was determined based on the higher of fair value less costs of disposal and value in use. These calculations required the use of estimates and judgements.

Management assessed and determined the recoverable amount of the CGU or CGU group, which involved the use of key assumptions including compound growth rate of revenue within forecast period, long-term growth rate and pre-tax discount rate.

Our audit procedures to assess goodwill impairment included the following:

- obtaining an understanding of and evaluating the design and implementation of key internal controls in relation to the assessment of goodwill impairment;
- discussing future operating plans with management and assessing the reasonableness of compound growth rate of revenue used in the discounted cash flow forecasts with reference to historical revenue growth rate;
- involving our internal valuation specialist in assessing the appropriateness of the methodology applied with reference to the prevailing accounting standards and the reasonableness of other assumptions used in determining the recoverable amount of each CGU or CGU group, which included comparing long-term growth rate with the long-term inflation rate in the Chinese Mainland and pre-tax discount rate with reference to those of comparable companies;

KEY AUDIT MATTER – *continued*

Assessment of goodwill impairment – *continued*

The Key Audit Matter	How the matter was addressed in our audit
<p>We identified the assessment of goodwill as a key audit matter because the estimation of recoverable amount involved significant judgements and estimates, which is inherently uncertain.</p>	<ul style="list-style-type: none"><li data-bbox="788 530 1401 633">• testing the mathematical accuracy of the calculations on the impairment assessments performed by management;<li data-bbox="788 685 1401 864">• evaluating the sensitivity analysis performed by management and on the above key assumptions, considering the resulting impact on the valuation results and whether there were any indicators of management bias; and<li data-bbox="788 916 1401 1097">• considering the reasonableness of the disclosures in the consolidated financial statements in respect of impairment assessment with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's conclusion thereon that is included within the other information.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 the Group'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 the consolidated 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Wan Chi Yau, Charles.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025
(Expressed in RMB)

	Notes	2025 RMB'000	2024 RMB'000 (restated)
Revenue	4	1,471,013	1,442,292
Cost of revenue		(1,203,394)	(1,166,473)
Gross profit		267,619	275,819
Other income	5	13,886	15,178
Selling expenses		(17)	(161)
Administrative expenses		(121,150)	(108,954)
Impairment losses on financial assets, net		(39,068)	(21)
Operating profit		121,270	181,861
Finance income/(costs)	6(a)	65,323	(108,053)
Profit before taxation	6	186,593	73,808
Income tax	7	(47,564)	(47,479)
Profit for the year		139,029	26,329
Attributable to:			
Owners of the Company		136,417	(26,089)
Non-controlling interests		2,612	52,418
Profit for the year		139,029	26,329
Earnings/(loss) per share:			
– Basic earnings/(loss) per share (in RMB)	8(a)	1.00	(0.19)
– Diluted earnings/(loss) per share (in RMB)	8(b)	0.35	(0.19)

The notes on pages 93 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

(Expressed in RMB)

	Notes	2025 RMB'000	2024 RMB'000 (restated)
Profit for the year		139,029	26,329
Other comprehensive income for the year (after tax):			
Items that will not be subsequently reclassified to profit or loss			
– Remeasurement of defined benefit plan obligations	22(a)	11,821	(10,061)
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation of financial statements into presentation currency		27,431	(20,553)
		39,252	(30,614)
Total comprehensive income for the year		178,281	(4,285)
Attributable to:			
Owners of the Company		163,848	(46,642)
Non-controlling interests		14,433	42,357
Total comprehensive income for the year		178,281	(4,285)

The notes on pages 93 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

(Expressed in RMB)

		As at 31 December		As at 1 January
	Notes	2025 RMB'000	2024 RMB'000 (restated)	2024 RMB'000 (restated)
Non-current assets				
Property and equipment	9	175,667	170,801	183,004
Right-of-use assets	10	71,840	42,079	43,433
Intangible assets	11	1,126,973	1,141,844	1,152,245
Amounts due from related parties	15(a)	81,876	120,944	160,944
Other non-current assets		3,561	–	–
Deferred tax assets	23	18,178	8,378	8,165
		<u>1,478,095</u>	<u>1,484,046</u>	<u>1,547,791</u>
Current assets				
Inventories	13	22,450	31,123	51,425
Trade receivables	14	139,733	131,263	133,652
Other receivables, deposits and prepayments		6,506	6,434	13,581
Amounts due from related parties	15(a)	125,426	116,901	80,932
Financial assets measured at fair value through profit or loss ("FVPL")	16	18,971	62,244	94,156
Term deposits		119,703	36,719	50,708
Restricted bank deposits		304	312	2,828
Cash and cash equivalents	17	665,673	714,120	523,027
		<u>1,098,766</u>	<u>1,099,116</u>	<u>950,309</u>
Current liabilities				
Trade payables	18	165,352	155,148	150,543
Contract liabilities		991	821	4,570
Accruals, other payables and provisions	19	408,063	460,889	441,062
Amounts due to related parties	15(b)	7,843	7,875	7,690
Borrowings	20	69,000	82,100	82,100
Convertible bonds	21	–	1,059,371	–
Lease liabilities	10	3,581	2,660	1,783
Current taxation		23,573	41,061	36,662
		<u>678,403</u>	<u>1,809,925</u>	<u>724,410</u>
Net current assets/(liabilities)		<u>420,363</u>	<u>(710,809)</u>	<u>225,899</u>
Total assets less current liabilities		<u>1,898,458</u>	<u>773,237</u>	<u>1,773,690</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

At 31 December 2025
(Expressed in RMB)

		As at 31 December		As at
	Notes	2025	2024	1 January
		RMB'000	RMB'000	RMB'000
			(restated)	(restated)
Non-current liabilities				
Lease liabilities	10	17,433	7,154	7,237
Other payables	19	14,841	–	45,310
Convertible bonds	21	966,356	–	929,191
Defined benefit plan obligations	22	51,752	58,775	44,649
Deferred tax liabilities	23	127,248	130,685	147,142
		<u>1,177,630</u>	<u>196,614</u>	<u>1,173,529</u>
NET ASSETS		<u>720,828</u>	<u>576,623</u>	<u>600,161</u>
CAPITAL AND RESERVES				
	24			
Share capital		123	123	123
Reserves		<u>502,380</u>	<u>338,532</u>	<u>387,929</u>
Total equity attributable to owners of the Company		<u>502,503</u>	<u>338,655</u>	<u>388,052</u>
Non-controlling interests		<u>218,325</u>	<u>237,968</u>	<u>212,109</u>
TOTAL EQUITY		<u>720,828</u>	<u>576,623</u>	<u>600,161</u>

Approved and authorised for issue by the board of directors on 26 March 2026.

Chen Shuai

Pu Chengchuan

The notes on pages 93 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

(Expressed in RMB)

	Attributable to owners of the Company						Attributable to non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Treasury shares	Exchange reserve	Accumulated losses		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 24(a))	(Note 24(b))	(Note 24(c))	(Note 24(d))	(Note 24(e))			
					(restated)	(restated)	(restated)	(restated)
Balance at 31 December 2023	123	435,304	875,958	(8,000)	-	(924,291)	379,094	591,203
Change of functional currency (Note 2(c))	-	-	-	-	(39,866)	48,824	8,958	8,958
Balance at 1 January 2024 (restated)	123	435,304	875,958	(8,000)	(39,866)	(875,467)	388,052	600,161
Changes in equity for 2024:								
(Loss)/profit for the year	-	-	-	-	-	(26,089)	(26,089)	26,329
Remeasurement of defined benefit plan obligations	-	-	-	-	-	-	(10,061)	(10,061)
Exchange differences on translation of financial statements into presentation currency	-	-	-	-	(20,553)	-	(20,553)	(20,553)
Total comprehensive income	-	-	-	-	(20,553)	(26,089)	(46,642)	(4,285)
Transfer to PRC statutory reserves	-	-	16,131	-	-	(16,131)	-	-
Purchase of own shares	-	-	-	(2,755)	-	-	(2,755)	(2,755)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	(16,498)	(16,498)
	-	-	16,131	(2,755)	-	(16,131)	(2,755)	(19,253)
Balance at 31 December 2024 and 1 January 2025 (restated)	123	435,304	892,089	(10,755)	(60,419)	(917,687)	338,655	576,623
Changes in equity for 2025:								
Profit for the year	-	-	-	-	-	136,417	136,417	139,029
Remeasurement of defined benefit plan obligations	-	-	-	-	-	-	11,821	11,821
Exchange differences on translation of financial statements into presentation currency	-	-	-	-	27,431	-	27,431	27,431
Total comprehensive income	-	-	-	-	27,431	136,417	163,848	178,281
Transfer to PRC statutory reserves	-	-	2,237	-	-	(2,237)	-	-
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	(34,076)	(34,076)
	-	-	2,237	-	-	(2,237)	(34,076)	(34,076)
Balance at 31 December 2025	123	435,304	894,326	(10,755)	(32,988)	(783,507)	502,503	720,828

The notes on pages 93 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

(Expressed in RMB)

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
Cash generated from operations	25(a)	236,209	271,825
Income tax paid		(78,289)	(59,750)
Net cash generated from operating activities		157,920	212,075
Investing activities			
Payments for purchase of property and equipment and intangible assets		(22,220)	(15,204)
Proceeds from disposal of property and equipment		14	15
Payments for purchase of financial assets measured at FVPL	25(b)	(124,500)	(148,300)
Proceeds from disposal of financial assets measured at FVPL	25(b)	168,398	181,836
Placement of term deposits	25(b)	(323,419)	(87,433)
Redemption of term deposits	25(b)	240,435	101,422
Loan repayment from a related party		–	41,300
Loans to a related party		–	(41,300)
Acquisition of a subsidiary, net of cash acquired		–	(221)
Assets acquisition through acquisition of a subsidiary	9	(49,440)	–
Interest received		7,316	10,526
Net cash (used in)/generated from investing activities		(103,416)	42,641
Financing activities			
Proceeds from borrowings	25(b)	79,000	82,100
Repayment of borrowings	25(b)	(92,100)	(82,100)
Capital elements of lease payments	25(b)	(3,577)	(2,165)
Interest elements of lease payments	25(b)	(885)	(503)
Dividends paid to non-controlling interests of subsidiaries		(32,961)	(18,970)
Payment for purchase of own shares		–	(2,755)
Settlement of redeemed bonds	25(b)	(50,076)	(37,034)
Interest paid	25(b)	(2,094)	(2,578)
Net cash used in financing activities		(102,693)	(64,005)
Net (decrease)/increase in cash and cash equivalents		(48,189)	190,711
Cash and cash equivalents at 1 January	17	714,120	523,027
Effects of foreign exchange rate changes		(258)	382
Cash and cash equivalents at 31 December	17	665,673	714,120

The notes on pages 93 to 164 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

Hospital Corporation of China Limited (the “Company”) was incorporated in the Cayman Islands on 21 February 2014 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company, together with its subsidiaries (collectively referred to as the “Group”), is principally engaged in the (i) operation and management of hospitals; (ii) provision of management services, supply chain services and other ancillary services to hospitals; and (iii) sale of pharmaceutical products in the People’s Republic of China (the “PRC”).

The Company is controlled by Vanguard Glory Limited (“Vanguard Glory”), a subsidiary of Hony Capital Fund V, L.P., which was incorporated in the Cayman Islands and is considered as the ultimate holding company of the Company.

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 March 2017.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c)(i) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries. The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets measured at FVPL which are measured at their fair values as explained in note 2(f).

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(c) Changes in accounting policies

(i) New and amended standards adopted by the Group

The Group has applied the amendments to IAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability, issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(ii) Change in accounting policy in respect of the functional currency of the Company

The Company voluntarily made a change in accounting policy regarding its functional currency. As an investment holding company, the Company previously adopted RMB as its functional currency due to its subsidiaries' primary operations are in the Chinese Mainland. As the Company's operations have substantively become and its operating and financing transactions are mainly denominated in Hong Kong Dollars ("HKD"), the Company has adopted HKD as its functional currency, effective from 1 January 2025. The impact of this change in accounting policy has been applied retrospectively and comparative figures have been restated accordingly.

The amounts of the adjustment for each affected financial statement line items for the current and prior periods are as follow:

Consolidated Statement of Financial Position	31 December 2024		31 December 2024		1 January 2024	
	Previously reported	Change	Restated	Previously reported	Change	Restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Convertible bonds	1,060,315	(944)	1,059,371	938,149	(8,958)	929,191
Exchange reserve	–	(60,419)	(60,419)	–	(39,866)	(39,866)
Accumulated losses	<u>(979,050)</u>	<u>61,363</u>	<u>(917,687)</u>	<u>(924,291)</u>	<u>48,824</u>	<u>(875,467)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(c) Changes in accounting policies – continued

(ii) Change in accounting policy in respect of the functional currency of the Company – continued

	2024 Previously reported RMB'000	Change RMB'000	2024 Restated RMB'000
Consolidated Statement of Profit or Loss			
Finance costs	(120,592)	12,539	(108,053)
Profit for the year	<u>13,790</u>	<u>12,539</u>	<u>26,329</u>
Earnings/(loss) per share:			
– Basic earnings/(loss) per share (in RMB)	(0.28)	0.09	(0.19)
– Diluted earnings/(loss) per share (in RMB)	<u>(0.28)</u>	<u>0.09</u>	<u>(0.19)</u>
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation of financial statements into presentation currency	–	(20,553)	(20,553)
Other comprehensive income for the year	(10,061)	(20,553)	(30,614)
Total comprehensive income for the year	<u>3,729</u>	<u>(8,014)</u>	<u>(4,285)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the owners of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless it is classified as held for sale.

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(j)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e).

Non-equity investments are classified into FVPL, if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Subsequent changes in the fair value of the investment (including interest) are recognised in profit or loss.

(g) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(j)). Cost includes expenditure that is directly attributable to the acquisition of the item.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Buildings	15 – 28 years
– Medical equipment	5 – 10 years
– Vehicles	5 – 10 years
– Office equipment and furniture	3 – 10 years
– Leasehold improvements	Shorter of remaining lease term or estimated useful lives

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(h) Intangible assets (other than goodwill)

Intangible assets, including contractual rights to provide management services, medical licences and computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Contractual rights to provide management services	Over the contractual periods
– Medical licences	Shorter of 30 years or remaining estimated useful lives upon acquisition
– Computer software	5 – 10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate lease components from non-lease components and allocated the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(i) Leases – *continued*

(i) *As a lessee – continued*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, other receivables and amounts due from related parties).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls for fixed-rate financial assets, trade and other receivables and amounts due from related parties are discounted using the effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that are expected to result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and amounts due from related parties (trade in nature) are always measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(j) Credit losses and impairment of assets – *continued*

(i) Credit losses from financial instruments – *continued*

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past the contractual due date.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is past the contractual due date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(j) Credit losses and impairment of assets – continued

(i) Credit losses from financial instruments – continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(j) Credit losses and impairment of assets – *continued*

(ii) *Impairment of non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(j) Credit losses and impairment of assets – continued

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (j)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories is determined on a first-in-first-out basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(j)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(j)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any entity within the Group purchases the Company's equity share capital (i.e. treasury shares), the considerations paid, including any directly attributable incremental transaction costs, is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(q) Borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(x).

(r) Convertible notes

Compound financial instruments issued by the Group comprise convertible notes denominated in HKD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is not remeasured and is recognised in the capital reserve until the notes are converted.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(s) Employee benefits – *continued*

(ii) *Defined benefit plan obligations*

A subsidiary of the Group provides defined benefit plan to certain of its employees after retirement. The liabilities or assets recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligations at the end of the reporting period. The defined benefit plan obligations is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and the fair value of plan assets (if any). This cost is included in employee benefit expense in profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occurred, directly in other comprehensive income (“OCI”), and are included in retained earnings in equity. Changes in the present value of the defined benefit plan obligations resulting from plan amendments or curtailments are recognised in profit or loss as past service costs.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(t) Income tax – continued

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(v) Revenue and other income – continued

(i) Revenue from contracts with customers – continued

If control of the good or service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurement of the value of individual service transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contract involves the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) General hospital services

Revenue from provision of general hospital services is recognised when the related services are rendered to customers.

For inpatient service, the customer normally receives inpatient treatment which contains various treatment components that are all highly relevant to each other, and is therefore regarded as one performance obligation. Relevant revenue of inpatient treatment is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual services transferred by the Group to the customer. Relevant revenue of outpatient services is recognised at a point in time, i.e. when the services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(v) Revenue and other income – *continued*

(i) Revenue from contracts with customers – *continued*

(a) General hospital services – *continued*

The Group usually receives the payment from customer in advance before the hospital services are rendered. Customer normally does not ask for a refund of payment and the services not yet rendered are recorded as contract liability. The contract liability is recognised as revenue when the related services are rendered.

For the cost to be borne by the relevant medical security authority, the Group usually receives the payment based on a payment schedule. If the services rendered by the Group exceed the payment, a trade receivable from the customer is recognised.

(b) Hospital management services

Revenue from provision of hospital management services is recognised in the period in which the services are rendered.

Hospital management services cover various aspects of daily operations of hospitals, and the contracts entered include multiple deliverables. Considering such services have similar pattern on delivery and are all highly relevant to each other, it is therefore regarded as one performance obligation.

Relevant revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual services transferred by the Group to the customer. The Group also offers supply chain service to certain hospitals, revenue is recognised when the customer takes possession of and accepts the products.

The Group receives the payment according to the contracts. Any unconditional rights to consideration of the contract is presented as a receivable. If a customer pays consideration before the Group transfers services to the customer, the Group presented the contract as a contract liability when the payment is made or the payment is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – continued

(v) Revenue and other income – continued

(i) Revenue from contracts with customers – continued

(c) Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognised when the control of the product is transferred to the customer, i.e. when the product is delivered and simultaneously accepted by the customer.

A receivable is recognised when the pharmaceutical products are delivered at the point in time when the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income from financial assets measured at FVPL is included in the net fair value gain or loss on these assets. Interest income on financial assets measured at amortised cost is recognised in profit or loss as finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(z) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same group.
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES – *continued*

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years are addressed below.

(a) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a CGU or a group of CGUs is determined based on the higher of fair value less costs of disposal and value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year-period for general hospital services segment, hospital management services segment and sale of pharmaceutical products segment ("Forecast Period"). When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

Cash flows beyond the Forecast Period are extrapolated using the estimated growth rates stated in note 11. These growth rates are consistent with management's research and analyses based on industry information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

(a) Estimation of goodwill impairment – *continued*

Details of impairment charge (if any), key assumptions and impact of possible changes in key assumptions are disclosed in note 11.

(i) *Revenue (% compound growth rates)*

The revenue compound growth rates over the Forecast Period is based on the relevant CGUs past performance and management's expectation for the market development.

(ii) *Long-term growth rate*

The long-term growth rate after the Forecast Period is estimated on the basis of the inflation rate of the Chinese Mainland. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term growth rate of the country in which it operates.

(iii) *Discount rates*

The discount rates for the Forecast Period and after that period are determined by reference to discount rates provided by an independent valuer. Discount rates were estimated based on the weighted average cost of capital with reference to the industry risk premium and the debt to equity ratio of some guideline companies in the healthcare sector in the Chinese Mainland.

Changes in the above estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

For details, please refer to note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

(b) Assessment of control over not-for-profit hospitals

Certain not-for-profit hospitals were founded by subsidiaries of the Group. Despite the fact that the subsidiaries founded the not-for-profit hospitals, the subsidiaries are not entitled to any dividends from the not-for-profit hospitals in accordance with relevant PRC laws and regulations. The subsidiaries have instead entered into agreements with the not-for-profit hospitals in which the subsidiaries obtain contractual rights to provide management services over the agreed periods and are entitled to receive management fees during the contractual period.

The Group has exercised significant judgements in determining whether the Group has control over the not-for-profit hospitals. In exercising such judgement, the Group considers various factors, including but not limited to the purpose and design of the not-for-profit hospitals; what the relevant activities are and how decisions about those activities are made; whether the rights of the Group gives the current ability to direct the relevant activities; whether rights exercisable by other parties as internal governance body members are substantive; whether the Group is exposed, or has rights, to variable returns from its involvement with the not-for-profit hospitals; and whether the Group has the ability to use its power over the not-for-profit hospitals to affect the amount of the Group's returns.

After assessment of control over not-for-profit hospitals, the management has concluded that the Group has control over Shanghai Yangsi Hospital ("Yangsi Hospital") (上海楊思醫院) and thus has consolidated it. For other not-for-profit hospitals, based on the assessment, the Group does not have the decision making power over internal governance body to direct the relevant activities of the not-for-profit hospitals, the Group does not control and thus does not consolidate the not-for-profit hospitals. Instead, relevant agreements are considered as management contracts to generate management services income.

(c) Estimation of defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. Details of key assumptions and impact of possible changes in key assumptions are disclosed in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the (i) operation and management of hospitals; (ii) provision of management services, supply chain services and other ancillary services to hospitals; and (iii) sale of pharmaceutical products.

Disaggregation of revenue from contracts with customers by major business lines is as follows:

	2025 RMB'000	2024 RMB'000
Types of goods or services		
General hospital services	1,410,705	1,303,405
Hospital management services	47,469	124,057
Sales of pharmaceutical products and others	12,839	14,830
	<u>1,471,013</u>	<u>1,442,292</u>
Timing of revenue recognition		
At a point in time	644,175	675,558
Over time	826,838	766,734
	<u>1,471,013</u>	<u>1,442,292</u>

The Group's customer base is diversified and there is no single customer (2024: nil customer) with whom transactions have exceeded 10% of the Group's revenue in 2025.

The Group takes advantage of the practical expedient in IFRS 15 and does not disclose the remaining performance obligations as the Group's sales contracts have an original expected duration of less than one year.

(b) Segment reporting

The Group manages its businesses by business lines (services and products). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING – *continued*

(b) Segment reporting – *continued*

(i) *General hospital services*

Revenue from this segment is derived from the provision of hospital services, including outpatient and inpatient services.

(ii) *Hospital management services*

Revenue from this segment is derived from the provision of comprehensive management services to hospitals, including operation management services, supply chain services and other ancillary services.

(iii) *Sales of pharmaceutical products*

Revenue from this segment is mainly derived from the sales of pharmaceutical products by the Group's retail pharmacy.

(c) Segment results, assets and liabilities

The Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation ("EBITDA"), which is measured consistently with the Group's profit before tax except that depreciation, amortisation, finance income and costs, and other unallocated expenses and losses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude convertible bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING – continued

(c) Segment results, assets and liabilities – continued

The following is an analysis of the Group's revenue and results, and assets and liabilities by reportable operating segments.

	General hospital services RMB'000	Hospital management services RMB'000	Sales of pharmaceutical products RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
2025						
Segment revenue	1,410,705	390,845	9,773	(343,376)	3,066	1,471,013
Inter-segment revenue	-	(343,376)	-	343,376	-	-
Revenue from external customers	<u>1,410,705</u>	<u>47,469</u>	<u>9,773</u>	<u>-</u>	<u>3,066</u>	<u>1,471,013</u>
EBITDA	<u>11,306</u>	<u>191,742</u>	<u>739</u>	<u>(3,983)</u>	<u>(16,172)</u>	<u>183,632</u>
As at 31 December 2025						
Segment assets	830,867	644,795	7,907	(97,442)	393,282	1,779,409
Goodwill	<u>110,079</u>	<u>687,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>797,452</u>
Total assets	<u>940,946</u>	<u>1,332,168</u>	<u>7,907</u>	<u>(97,442)</u>	<u>393,282</u>	<u>2,576,861</u>
Total liabilities	<u>514,067</u>	<u>284,692</u>	<u>4,765</u>	<u>(90,193)</u>	<u>1,142,702</u>	<u>1,856,033</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING – continued

(c) Segment results, assets and liabilities – continued

	General hospital services RMB'000	Hospital management services RMB'000	Sales of pharmaceutical products RMB'000	Elimination RMB'000	Unallocated RMB'000 (restated)	Total RMB'000 (restated)
2024						
Segment revenue	1,303,405	416,182	9,014	(292,125)	5,816	1,442,292
Inter-segment revenue	–	(292,125)	–	292,125	–	–
Revenue from external customers	<u>1,303,405</u>	<u>124,057</u>	<u>9,014</u>	<u>–</u>	<u>5,816</u>	<u>1,442,292</u>
EBITDA	<u>74,727</u>	<u>185,891</u>	<u>605</u>	<u>(3,132)</u>	<u>(13,123)</u>	<u>244,968</u>
As at 31 December						
2024						
Segment assets	822,949	683,830	18,776	(109,956)	370,111	1,785,710
Goodwill	<u>110,079</u>	<u>687,373</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>797,452</u>
Total assets	<u>933,028</u>	<u>1,371,203</u>	<u>18,776</u>	<u>(109,956)</u>	<u>370,111</u>	<u>2,583,162</u>
Total liabilities (restated)	<u>535,033</u>	<u>286,620</u>	<u>3,194</u>	<u>(106,605)</u>	<u>1,288,297</u>	<u>2,006,539</u>

(d) Reconciliation of reportable segment results

	2025 RMB'000	2024 RMB'000 (restated)
EBITDA	183,632	244,968
Depreciation	(47,244)	(47,017)
Amortisation	(15,118)	(16,090)
Finance income/(costs)	65,323	(108,053)
Profit before taxation	<u>186,593</u>	<u>73,808</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING – *continued*

(e) Geographic information

No geographic information is provided as all of the Group's revenue from external customers are generated in the PRC, and the Group's non-current assets are located or allocated to operations in the PRC.

5 OTHER INCOME

	2025 RMB'000	2024 RMB'000
Government grants and subsidies	12,939	12,918
Net fair value gain on financial assets measured at FVPL	625	1,624
Others	322	636
	<u>13,886</u>	<u>15,178</u>

6 PROFIT BEFORE TAXATION

(a) Finance income/(costs)

	2025 RMB'000	2024 RMB'000 (restated)
Interest income on bank deposits	3,787	6,530
Interest income on loans to a related party	3,529	3,996
Gain on modification of convertible bonds (Note 21)	165,179	–
Interest expenses on convertible bonds (Note 21)	(99,813)	(108,490)
Interest expenses on bank borrowings	(2,094)	(2,578)
Finance expenses on redeemed bonds	(573)	(2,970)
Others	(4,692)	(4,541)
	<u>65,323</u>	<u>(108,053)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION – *continued*

(b) Staff costs

	2025 RMB'000	2024 RMB'000
Wages, salaries, bonuses and other benefits	447,318	411,734
Defined benefit obligations (Note 22)	4,166	3,101
Contributions to defined contribution retirement plans (Notes (i) and (ii))	38,664	31,855
	<u>490,148</u>	<u>446,690</u>

Notes:

- (i) The employees of the Group in the Chinese Mainland are members of a state-managed pension plan operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the pension plan to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.
- (ii) The Group's employees in Hong Kong participate in a defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap.485) (the "MPF Scheme"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong dollars ("HKD") 30,000. Contributions to the plan vest immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION – *continued*

(b) Staff costs – *continued*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2024: one) director of the Company whose emolument is reflected in note 31. The emoluments to the remaining four (2024: four) individuals during the year are as follows:

	2025 RMB'000	2024 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,375	3,368
Discretionary bonuses	1,302	1,432
Contributions to pension plans	205	199
	<u>4,882</u>	<u>4,999</u>

The number of highest paid non-director individuals whose remunerations fell within the following bands is as follows:

	2025 no. of individuals	2024 no. of individuals
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	1	1
	<u>4</u>	<u>4</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION – *continued*

(c) Other items

	2025 RMB'000	2024 RMB'000
Cost of inventories (Note 13)	<u>681,692</u>	<u>698,547</u>
Depreciation charges:		
– owned property and equipment (Note 9)	42,114	42,704
– right-of-use assets (Note 10)	<u>5,130</u>	<u>4,313</u>
	47,244	47,017
Amortisation cost of intangible assets (Note 11)	<u>15,118</u>	<u>16,090</u>
	<u>62,362</u>	<u>63,107</u>
Auditor's remuneration		
– audit services	2,547	2,528
– other services	<u>–</u>	<u>380</u>
	<u>2,547</u>	<u>2,908</u>

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 RMB'000	2024 RMB'000
Current income tax:		
– PRC Corporate Income Tax	60,801	64,149
Deferred income tax (Note 23)	<u>(13,237)</u>	<u>(16,670)</u>
	<u>47,564</u>	<u>47,479</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX – continued

(a) Taxation in the consolidated statement of profit or loss represents – continued

(i) The Cayman Islands and the British Virgin Islands (the “BVI”) Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Hong Kong Profits Tax

Hong Kong Profits Tax rate was 16.5% for the year ended 31 December 2025 (2024: 16.5%). No Hong Kong Profits Tax was provided for as there was no estimated assessable profits that are subject to Hong Kong Profits Tax for the years ended 31 December 2025 and 2024.

(iii) PRC Corporate Income Tax

Subsidiaries established and operating in the Chinese Mainland are subject to the PRC Corporate Income Tax at the rate of 25% for the year ended 31 December 2025 (2024: 25%), except for a subsidiary of the Group which has been approved as small and low-profit enterprise and is subject to a preferential income tax rate of 5%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025 RMB'000	2024 RMB'000 (restated)
Profit before taxation	<u>186,593</u>	<u>73,808</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes 7(a)(i), 7(a)(ii) and 7(a)(iii))	31,696	37,941
Tax concessions (Note 7(a)(iii))	(25)	(2,887)
Tax effect of non-deductible expenses	10,523	9,325
Tax effect of unused tax losses not recognised	5,372	3,105
Utilisation of tax losses in previous years	<u>(2)</u>	<u>(5)</u>
Income tax	<u>47,564</u>	<u>47,479</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2025 and 2024.

	2025	2024 (restated)
Profit/(loss) attributable to the owners of the Company (RMB'000)	<u>136,417</u>	<u>(26,089)</u>
Issued ordinary shares at 1 January (in '000)	138,194	138,194
Effect of shares held as treasury shares (in '000) (Note 24(d))	<u>(1,698)</u>	<u>(1,132)</u>
Weighted average number of ordinary shares in issue (in '000)	<u>136,496</u>	<u>137,062</u>
Basic earnings/(loss) per share (in RMB)	<u>1.00</u>	<u>(0.19)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE – *continued*

(b) Diluted earnings/(loss) per share

For the year ended 31 December 2025, the calculation of diluted earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, after adjustment for the effects of convertible bonds.

	2025 RMB'000
Profit attributable to the owners of the Company	136,417
Add: Interest expenses on convertible bonds (Notes 6(a) and 21)	99,813
Less: Gain on modification of convertible bonds (Notes 6(a) and 21)	<u>(165,179)</u>
Profit attributable to the owners of the Company (diluted)	<u>71,051</u>
Weighted average number of ordinary shares in issue (in '000)	136,496
Adjustment for calculation of diluted earnings per share – Effect of deemed conversion of convertible bonds (in '000)	<u>64,694</u>
Weighted average number of ordinary shares in issue (diluted) (in '000)	<u>201,190</u>
Diluted earnings per share (in RMB)	<u>0.35</u>

For the year ended 31 December 2024, the Group's potential dilutive ordinary shares are from convertible bonds issued. The potential dilutive ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2024 was the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

9 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Medical equipment RMB'000	Office equipment, furniture and vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2024	139,286	28,872	132,034	21,057	886	322,135
Additions	–	5,047	11,741	5,663	–	22,451
Additions through business combination	–	–	7,433	885	–	8,318
Disposals	–	–	(21,537)	(2,468)	–	(24,005)
Transfer upon completion	–	886	–	–	(886)	–
At 31 December 2024	139,286	34,805	129,671	25,137	–	328,899
At 1 January 2025	139,286	34,805	129,671	25,137	–	328,899
Additions	264	1,092	17,047	2,591	1,405	22,399
Additions through assets acquisition (Note)	24,927	–	–	–	–	24,927
Disposals	(195)	–	(3,335)	(916)	–	(4,446)
Transfer upon completion	–	1,259	–	–	(1,259)	–
At 31 December 2025	164,282	37,156	143,383	26,812	146	371,779
Accumulated depreciation:						
At 1 January 2024	38,052	15,941	68,194	16,944	–	139,131
Charge for the year	9,179	5,349	24,279	3,897	–	42,704
Written back on disposals	–	–	(21,270)	(2,467)	–	(23,737)
At 31 December 2024	47,231	21,290	71,203	18,374	–	158,098
At 1 January 2025	47,231	21,290	71,203	18,374	–	158,098
Charge for the year	9,205	3,664	24,983	4,262	–	42,114
Written back on disposals	(195)	–	(2,989)	(916)	–	(4,100)
At 31 December 2025	56,241	24,954	93,197	21,720	–	196,112
Carrying amount:						
At 31 December 2025	108,041	12,202	50,186	5,092	146	175,667
At 31 December 2024	92,055	13,515	58,468	6,763	–	170,801

Note: On 20 May 2025, the Group entered into an equity transfer agreement to acquire 100% equity interest in Cixi Honghe Property Management Company Limited (“Cixi Honghe Property”) at a total consideration of RMB49,470,000. The majority of the assets of Cixi Honghe Property are the buildings and land leased to the Group immediately prior to the acquisition, and accordingly, the Group’s management consider the acquisition is an acquisition of assets. The cost of the acquisition has been allocated to the identifiable assets acquired, mainly represented by land use rights of RMB20,114,000 (included in right-of-use assets in note 10) and buildings of RMB24,927,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases entered into by the Group as a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Right-of-use assets		
Properties	20,007	8,996
Land use rights	51,833	33,083
	<u>71,840</u>	<u>42,079</u>
Lease liabilities		
Current	3,581	2,660
Non-current	17,433	7,154
	<u>21,014</u>	<u>9,814</u>

Additions to the right-of-use assets for the year ended 31 December 2025 were RMB34,891,000 (2024: RMB2,959,000).

(b) The analysis of expense items in relation to leases recognised in the consolidated statement of profit or loss is as follows:

	2025	2024
	RMB'000	RMB'000
Depreciation charge:		
– properties	3,766	3,362
– land use rights	1,364	951
	<u>5,130</u>	<u>4,313</u>
Interest expenses on lease liabilities	<u>885</u>	<u>503</u>
Expenses relating to short-term leases and leases of low-value assets	<u>9,675</u>	<u>7,460</u>

Details of total cash outflow for leases are set out in note 25(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

11 INTANGIBLE ASSETS

	Goodwill	Contractual rights to provide management services	Medical licences	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2024	1,717,047	1,042,200	186,900	12,377	2,958,524
Additions	-	-	-	1,978	1,978
Changes as a result of business combination	51,584	(322,900)	-	3,711	(267,605)
At 31 December 2024	1,768,631	719,300	186,900	18,066	2,692,897
At 1 January 2025	1,768,631	719,300	186,900	18,066	2,692,897
Additions	-	-	-	263	263
Exchange Adjustments	-	-	-	(25)	(25)
At 31 December 2025	1,768,631	719,300	186,900	18,304	2,693,135
Accumulated amortisation and impairment:					
At 1 January 2024	971,179	790,862	39,943	4,295	1,806,279
Charge for the year	-	7,129	6,474	2,487	16,090
Changes as a result of business combination	-	(271,316)	-	-	(271,316)
At 31 December 2024	971,179	526,675	46,417	6,782	1,551,053
At 1 January 2025	971,179	526,675	46,417	6,782	1,551,053
Charge for the year	-	5,750	6,474	2,894	15,118
Exchange Adjustments	-	-	-	(9)	(9)
At 31 December 2025	971,179	532,425	52,891	9,667	1,566,162
Carrying amount:					
At 31 December 2025	797,452	186,875	134,009	8,637	1,126,973
At 31 December 2024	797,452	192,625	140,483	11,284	1,141,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

11 INTANGIBLE ASSETS – continued

(a) Impairment tests for goodwill

The following is a summary of goodwill allocated under each operating segment:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Year ended 31 December 2025			
General hospital services segment			
– Jiande CGU	58,495	–	58,495
– Cixi CGU	51,584	–	51,584
Hospital management services segment			
– Weikang CGU Group	687,373	–	687,373
	<u>797,452</u>	<u>–</u>	<u>797,452</u>
Year ended 31 December 2024			
General hospital services segment			
– Jiande CGU	58,495	–	58,495
– Cixi CGU	–	51,584	51,584
Hospital management services segment			
– Weikang CGU Group	687,373	–	687,373
	<u>745,868</u>	<u>51,584</u>	<u>797,452</u>

Goodwill arising from the acquisitions of subsidiaries of the Group were allocated to CGU or CGU group among segments of general hospital services and hospital management services. Goodwill related to the acquisition of Jiande Hexu Enterprise Management Co., Ltd. (“Jiande Hexu”) in 2018 was allocated to the general hospital services segment which represented the Jiande CGU. Goodwill related to the acquisition of Cixi Honghe Hospital Company Limited (“Cixi Honghe Hospital”) in 2024 was allocated to the general hospital services segment which represented the Cixi CGU. Goodwill related to the acquisition of Shanghai Weikang Investment Management Co., Ltd. (“Weikang Investment”) in 2014 and the subsequent consolidation of Yangsi Hospital in 2021 were allocated to the hospital management services segment which represented the Weikang CGU Group.

Management reviews business performance of each CGU and CGU group. The recoverable amount of each CGU and CGU group is determined based on the higher of fair value less costs of disposal and value in use calculations of the underlying assets. The valuation is considered to be level 3 in fair value hierarchy due to unobservable inputs used in the valuation. These calculations use cash flow projections based on forecasts approved by management covering a five-year-period. Cash flows beyond the five-year-period are extrapolated using the estimated long-term growth rate of 2% by reference to the long-term inflation rate of the Chinese Mainland as at 31 December 2025 (2024: 2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

11 INTANGIBLE ASSETS – continued

(a) Impairment tests for goodwill – continued

As at 31 December 2025 and 2024, the key assumptions used for each CGU and CGU group were as follows:

	Jiande CGU		Weikang CGU Group		Cixi CGU	
	2025	2024	2025	2024	2025	2024
Revenue (% compound growth rate)	5.02%	5.79%	2.38%	5.64%	4.33%	2.61%
Pre-tax discount rate	<u>16.63%</u>	<u>16.76%</u>	<u>16.14%</u>	<u>16.17%</u>	<u>17.94%</u>	<u>17.76%</u>

The recoverable amounts are higher than the carrying amounts for each CGU and CGU group, accordingly, no impairment of goodwill was recognised for the year ended 31 December 2025 (2024: Nil).

In the opinion of the Company's directors, as at 31 December 2025, save as above, any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the CGU's or CGU group's carrying amount to exceed its recoverable amount.

(b) Impairment tests for contractual rights to provide management services

Contractual rights to provide management services are the rights to provide management services to Zhejiang Jinhua Guangfu Oncological Hospital ("Jinhua Hospital") (浙江金華廣福腫瘤醫院) with finite useful life. The contractual rights acquired in business combinations are recognised at fair value as at the acquisition date.

Management estimated the future cash flows in determining the recoverable amount of contractual rights to provide management services to Jinhua Hospital as at 31 December 2025. As at 31 December 2025, no impairment was recognised for the contractual rights (2024: Nil).

As at 31 December 2025 and 2024, the key assumptions used were as follows.

	2025	2024
Revenue (% compound growth rate)	3.13%	2.42%
Pre-tax discount rate	<u>16.80%</u>	<u>16.80%</u>

(c) Medical licences

Medical licences were acquired by the Group in its business combination of Jiande Hexu and were assessed for impairment, together with goodwill, under the Jiande CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

12 SUBSIDIARIES

The Group's principal subsidiaries are set out below. Unless otherwise stated, they have registered/paid-up capital consisting solely of equity interests that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of establishment is also their principal place of business.

Name of entity	Place and date of establishment and type of legal entity	Principal activities	Registered and paid-up capital	Ownership interest held			
				held by the Group		by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Tibet Honghe Zhiyuan Business Management Co., Ltd. (西藏弘和志遠企業管理有限公司)	The PRC, limited liability company, on 10 October 2014	Provision of hospital management services	Registered capital of RMB30,000,000 and paid-up capital of RMBNil	100%	100%	-	-
Dazi Honghe Ruixin Medical Technology Co., Ltd. (達孜弘和瑞信醫療科技有限公司)	The PRC, limited liability company, on 23 December 2014	Provision of hospital management services	Registered capital of RMB500,000 and paid-up capital of RMBNil	77%	77%	23%	23%
Weikang Investment * (上海維康投資管理有限公司)	The PRC, limited liability company, on 15 April 2002	Provision of hospital management services	Registered and paid-up capital of RMB30,000,000	77%	77%	23%	23%
Yangsi Hospital* (上海楊思醫院)	The PRC, limited liability company, on 15 April 2002	Provision of general hospital services	Registered and paid-up capital of RMB30,000,000	-	-	100%	100%
Shanghai Pudong Siyang Optical Equipment Co., Ltd.* (上海浦東思揚光學器材有限公司)	The PRC, limited liability company, on 29 October 2020	Provision of general hospital services	Registered capital of RMB2,000,000 and paid-up capital of RMBNil	-	-	100%	100%
Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd. ("Zhejiang Honghe Zhiyuan") # (浙江弘和致遠醫療科技有限公司)	The PRC, limited liability company, on 29 October 2014	Provision of hospital management services	Registered capital of RMB200,000,000 and paid-up capital of RMB88,880,000	75%	75%	25%	25%
Jiande Hexu (建德和煦企業管理有限公司)	The PRC, limited liability company, on 19 September 2017	Provision of hospital management services	Registered and paid-up capital of RMB129,000,000	100%	100%	-	-
Jiande Hospital of Traditional Chinese Medicine Co., Ltd. (建德中醫藥有限公司)	The PRC, limited liability company, on 19 September 2016	Provision of general hospital services	Registered and paid-up capital of RMB10,000,000	100%	100%	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

12 SUBSIDIARIES – continued

Name of entity	Place and date of establishment and type of legal entity	Principal activities	Registered and paid-up capital	Ownership interest held			
				held by the Group		by non-controlling interests	
				2025	2024	2025	2024
				%	%	%	%
Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd. (建德大家中醫藥科技有限公司)	The PRC, limited liability company, on 12 November 2014	Provision of hospital management services	Registered and paid-up capital of RMB40,000,000	100%	100%	–	–
Cixi Honghe Medical Management Company Limited (慈溪弘和醫療管理有限公司)	The PRC, limited liability company, on 22 November 2017	Provision of hospital management services	Registered and paid-up capital of RMB35,000,000	70%	70%	30%	30%
Cixi Honghe Hospital (慈溪弘和醫院有限公司)	The PRC, limited liability company, on 1 March 2019	Provision of general hospital services	Registered capital of RMB35,000,000 and paid-up capital of RMBNil	70%	70%	30%	30%
Cixi Honghe Property (慈溪弘和物業管理有限公司)	The PRC, limited liability company, on 15 January 2025	Provision of property management services	Registered and paid-up capital of RMB49,286,000	70%	70%	30%	30%
Honghe (Jinhua) Pharmaceutical Co., Ltd. (弘和(金華)藥業有限公司)	The PRC, limited liability company, on 18 March 2020	Sales of pharmaceutical products	Registered capital of RMB100,000 and paid-up capital of RMBNil	100%	100%	–	–
Beijing Hongyuan Zhiying Enterprise Management Consulting Co., Ltd. (北京弘遠智盈企業管理諮詢有限公司)	The PRC, limited liability company, on 10 September 2020	Provision of hospital management services	Registered and paid-up capital of RMB13,000,000	100%	100%	–	–
Honghe Medicines (Zhejiang) Co., Ltd. (弘和醫藥(浙江)有限公司)	The PRC, limited liability company, on 22 February 2021	Sales of pharmaceutical products	Registered capital of RMB10,000,000 and paid-up capital of RMB2,000,000	100%	100%	–	–
Honghe (Yongkang) Medical Instrument Co., Ltd. (弘和(永康)醫療器械有限公司)	The PRC, limited liability company, on 10 October 2021	Sales of pharmaceutical products	Registered capital of RMB100,000 and paid-up capital of RMBNil	100%	100%	–	–
Shanghai Honghe Zhiyuan Medical Management Co., Ltd.* (上海弘和致遠醫療管理有限公司)	The PRC, limited liability company, on 15 December 2023	Provision of hospital management services	Registered capital of RMB1,000,000 and paid-up capital of RMBNil	77%	77%	23%	23%
Jiashan Borui Pharmaceutical Co., Ltd.* (嘉善博瑞醫藥有限公司)	The PRC, limited liability company, on 9 January 2024	Sales of pharmaceutical products	Registered and paid-up capital of RMB1,000,000	77%	77%	23%	23%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

12 SUBSIDIARIES – continued

* Under the Shanghai Weikang sub-group

Under the Zhejiang Honghe Zhiyuan sub-group

Set out below is summarised financial information for subsidiary sub-groups that have non-controlling interests (“NCI”) that are material to the Group. The amounts disclosed for each subsidiary sub-group are before inter-company eliminations.

	Shanghai Weikang sub-group		Zhejiang Honghe Zhiyuan sub-group	
	As at 31 December		As at 31 December	
	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	23%	23%	25%	25%
Current assets	615,101	637,212	2,134	2,350
Non-current assets	68,558	57,750	286,606	321,657
Current liabilities	(321,703)	(350,922)	(97,191)	(97,186)
Non-current liabilities	(66,284)	(61,397)	(46,719)	(48,156)
Net assets	295,672	282,643	144,830	178,665
Carrying amount of NCI	170,820	177,481	36,206	44,665
	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,418,202	1,329,082	–	–
Profit/(loss) for the year	162,152	143,318	(33,835)	(4,273)
Total comprehensive income	173,973	133,257	(33,835)	(4,273)
Profit/(loss) allocated to NCI	22,696	40,813	(8,459)	(1,068)
Dividend paid to NCI	29,357	12,009	–	–
Cash flows from operating activities	131,822	149,257	(216)	(13,317)
Cash flows from investing activities	(44,489)	12,240	–	14,287
Cash flows from financing activities	(126,528)	(69,462)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

13 INVENTORIES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Pharmaceuticals and medical consumables	<u>22,450</u>	<u>31,123</u>

The cost of inventories recognised as expenses and included in “cost of revenue” during the year ended 31 December 2025 amounted to RMB681,692,000 (2024: RMB698,547,000).

14 TRADE RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade receivables	140,402	131,960
Less: loss allowance (Note 26(a)(i))	<u>(669)</u>	<u>(697)</u>
	<u>139,733</u>	<u>131,263</u>

All of the trade receivables are expected to be recovered within one year.

As at 31 December 2025, the ageing analysis based on invoice date of the trade receivables and net of loss allowance, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 90 days	124,813	108,221
91 to 180 days	5,408	14,303
181 days to 1 year	9,216	8,645
Over 1 year	<u>296</u>	<u>94</u>
	<u>139,733</u>	<u>131,263</u>

Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in note 26(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

15 BALANCES WITH RELATED PARTIES

(a) Amounts due from related parties

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Trade in nature*	179,054	170,022
Less: loss allowance (Note 26(a)(i))	<u>(72,132)</u>	<u>(33,064)</u>
	106,922	136,958
Non-trade in nature**	<u>100,380</u>	<u>100,887</u>
	207,302	237,845
Less: non-current portion***	<u>(81,876)</u>	<u>(120,944)</u>
Current portion	<u><u>125,426</u></u>	<u><u>116,901</u></u>

* These balances are non-interest bearing.

** The balance of RMB100,000,000 bears interest rate of 3.7% per annum (2024: 3.7% per annum) and the remaining balances are non-interest bearing.

*** The non-current portion of amounts due from related parties is measured at amortised cost and receivable in instalments after one year.

The current portion of the amounts due from related parties are expected to be recovered within one year.

As at 31 December 2025, the amounts due from related parties are unsecured. As at 31 December 2025, the ageing analysis of the trade in nature amounts due from related parties, based on invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 90 days	8,647	14,088
90 to 180 days	8,173	1,577
Over 180 days	<u>90,102</u>	<u>121,293</u>
	<u><u>106,922</u></u>	<u><u>136,958</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

15 BALANCES WITH RELATED PARTIES – *continued*

(b) Amounts due to related parties

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Non-trade in nature	<u>7,843</u>	<u>7,875</u>

The amounts due to related parties are unsecured, non-interest bearing and are repayable within one year or on demand.

16 FINANCIAL ASSETS AT FVPL

Financial assets measured at FVPL comprise:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Wealth management products	<u>18,971</u>	<u>62,244</u>

The Group's subscriptions to wealth management products are issued by banks and financial institutions in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Cash at banks and on hand	272,273	521,720
Deposits with banks	393,400	192,400
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of cash flows	665,673	714,120
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2025, cash and cash equivalents held in the Chinese Mainland amounted to RMB655,970,000 (2024: RMB662,271,000). Remittance of funds out of the Chinese Mainland is subject to relevant rules and regulations of foreign exchange controls promulgated by the PRC government.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
US dollars ("USD")	1,696	1,759
HKD	7,868	9,283
RMB	656,109	703,078
	<hr/>	<hr/>
	665,673	714,120
	<hr/> <hr/>	<hr/> <hr/>

Cash at banks earns interest at floating rates based on daily bank deposit rates, and deposits held at banks earn interest at fixed rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

18 TRADE PAYABLES

As at 31 December 2025, the ageing analysis of trade payables, based on invoice date, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 90 days	142,146	133,677
91 to 180 days	14,708	12,868
181 days to 1 year	5,534	5,802
Over 1 year	2,964	2,801
	<u>165,352</u>	<u>155,148</u>

All of the trade payables are expected to be settled within one year or are repayable on demand.

19 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Accrued employee benefits	113,197	116,236
Payables to suppliers for purchase of property and equipment	15,321	14,879
Other taxes payables	7,245	9,684
Payables for redeemed bonds (Note (i))	–	49,503
Payable for undertaking on acquisition of non-controlling interests of a subsidiary (Note (ii))	239,788	239,788
Loan from a non-controlling equity holder (Note (iii))	14,841	–
Others	29,498	28,847
	<u>419,890</u>	<u>458,937</u>
Financial liabilities measured at amortised cost	419,890	458,937
Provisions	3,014	1,952
	<u>422,904</u>	<u>460,889</u>
Less: non-current portion (Note (iii))	14,841	–
	<u>408,063</u>	<u>460,889</u>

All of the current portion of accruals, other payables and provisions are expected to be settled within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

19 ACCRUALS, OTHER PAYABLES AND PROVISIONS – continued

Notes:

- (i) In 2021, the Company exercised the redemption option on the convertible bonds issued in 2019. The convertible bonds were redeemed in accordance with a payment schedule and the outstanding amounts were fully settled in May 2025.
- (ii) On 29 May 2018, The Company granted a put option to the non-controlling equity holders of Zhejiang Honghe Zhiyuan under an undertaking letter, pursuant to which the Company undertook to acquire the remaining 25% equity interests of Zhejiang Honghe Zhiyuan at the purchase price of not less than RMB210,000,000 plus other reasonable expenses incurred by the non-controlling equity holders in connection with their investment in Zhejiang Honghe Zhiyuan.
- (iii) The Group has entered into a ten-year loan agreement with a non-controlling equity holder of one of its subsidiaries in May 2025. The loan is unsecured and interest bearing.

20 BORROWINGS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Bank borrowings:		
– Secured but unguaranteed (Note (a))	49,000	62,100
– Unsecured but guaranteed (Note (b))	10,000	20,000
– Unsecured and unguaranteed	10,000	–
Total borrowings carried at amortised cost	<u>69,000</u>	<u>82,100</u>

Notes:

- (a) These bank loans are secured by the Group's trade receivables of RMB49,000,000 and bear interest rate at 2.6% per annum (2024: ranging from 3.0% to 3.2% per annum).
- (b) This bank loan is guaranteed by a subsidiary of the Group and bears interest rate at 2.6% per annum (2024: 3.2% per annum).

All of the bank borrowings are repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

21 CONVERTIBLE BONDS

The movements of the convertible bonds are as follows:

	RMB'000
As at 1 January 2024 (restated)	929,191
Interest expenses (Note 6(a))	108,490
Exchange adjustment	<u>21,690</u>
As at 31 December 2024 and 1 January 2025 (restated)	1,059,371
Interest expenses (note 6(a))	99,813
Gain on modification of convertible bonds (Note 6(a))	(165,179)
Exchange adjustment	<u>(27,649)</u>
As at 31 December 2025	<u><u>966,356</u></u>

In 2018, the Company issued convertible bonds to Vanguard Glory and Hony Capital Fund VIII (Cayman), L.P. with an aggregate principal amount of approximately HKD1,241,880,000. These convertible bonds, contained conversion options, were non-interest bearing with maturity dates being extended previously to 30 September 2025. On 12 June 2025, the Group successfully renegotiated with the bondholders and further extended the maturity date of the convertible bonds to 30 September 2027. The modified convertible bonds are non-interest bearing with conversion prices at HKD18.00 or HKD20.00 per share. A gain on modification of the convertible notes of RMB165,179,000 was recognised in profit or loss during the year ended 31 December 2025.

As a result of the change in functional currency of the Company as mentioned in note 2(c)(ii), the convertible bonds are recognised as compound financial instruments in accordance with the Group's accounting policies in note 2(r), and have been presented as such in both the current and comparative periods.

None of the convertible bonds was converted into ordinary shares of the Company during the year ended 31 December 2025 (2024: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

22 DEFINED BENEFIT PLAN OBLIGATIONS

The Group operates an unfunded defined benefit plan for qualifying staff of a hospital of the Group. Under the plan, the qualifying staff are entitled to retirement benefits.

(a) Consolidated statement of financial position amounts

The amounts recognised in the consolidated statement of financial position and the movements in the defined benefit plan obligations during the year ended 31 December 2025 are as follows:

	Present value of obligations RMB'000
At 1 January 2024	44,649
Current service costs (Note 6(b))	3,101
Interest costs	1,268
Remeasurement of defined benefit plan obligations	10,061
Benefits paid	<u>(304)</u>
At 31 December 2024 and 1 January 2025	58,775
Current service costs (Note 6(b))	4,166
Interest costs	1,170
Remeasurement of defined benefit plan obligations	(11,821)
Benefits paid	<u>(538)</u>
At 31 December 2025	<u>51,752</u>

The latest independent actuarial valuation of the plan was at 31 December 2025 and was prepared by qualified staff of Valuelink Asia (Beijing) Enterprise Management Consulting Co., Ltd., who are members of the China Association of Actuaries, using the projected unit credit method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

22 DEFINED BENEFIT PLAN OBLIGATIONS – continued

(b) The significant actuarial assumptions used were as follows:

	2025	2024
Discount rate	2.35%	2.00%
Life expectancy	<u>87</u>	<u>87</u>

(c) The sensitivity analysis of the defined benefit obligations to changes in the significant assumptions is as follows:

	Change in assumption 2025	Impact on defined benefit obligations	
		Increase in assumption 2025	Decrease in assumption 2025
Discount rate	0.25%	Decrease by 2,547	Increase by 2,726
Life expectancy	+/- 1 year	Increase by 3,179	Decrease by 3,106

	Change in assumption 2024	Impact on defined benefit obligations	
		Increase in assumption 2024	Decrease in assumption 2024
Discount rate	0.25%	Decrease by 2,859	Increase by 3,063
Life expectancy	+/- 1 year	Increase by 3,593	Decrease by 3,506

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

23 DEFERRED TAX

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Deferred tax assets	18,178	8,378
Deferred tax liabilities	(127,248)	(130,685)
	<u>(109,070)</u>	<u>(122,307)</u>

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustments on buildings and intangible assets and subsequent depreciation, amortisation and impairment RMB'000	Withholding tax RMB'000	Interest capitalisation and subsequent depreciation RMB'000	Accelerated depreciation of equipment for tax purposes RMB'000	Depreciation charge of right-of-use assets RMB'000	Lease liabilities RMB'000	Credit loss allowance RMB'000	Changes in fair value RMB'000	Total RMB'000
At 1 January 2024	(107,779)	(38,941)	(339)	–	(1,923)	1,840	8,117	48	(138,977)
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	16,623	–	24	(273)	(37)	333	–	–	16,670
At 31 December 2024 and 1 January 2025	(91,156)	(38,941)	(315)	(273)	(1,960)	2,173	8,117	48	(122,307)
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	3,383	–	24	29	(2,916)	2,950	9,767	–	13,237
At 31 December 2025	<u>(87,773)</u>	<u>(38,941)</u>	<u>(291)</u>	<u>(244)</u>	<u>(4,876)</u>	<u>5,123</u>	<u>17,884</u>	<u>48</u>	<u>(109,070)</u>

In accordance with the accounting policy set out in note 2(t), the Group did not recognise deferred tax assets in respect of cumulative tax losses of RMB66,085,000 (2024: RMB52,224,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from the subsidiaries of the Group in the Chinese Mainland will expire within five years.

At 31 December 2025, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB271,950,000 (2024: RMB219,920,000). Deferred tax liabilities of RMB27,195,000 (2024: RMB21,992,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 31 December 2025		At 31 December 2024	
	Number of shares '000	Nominal value of shares HKD'000	Number of shares '000	Nominal value of shares HKD'000
Authorised share capital, HKD0.001 each	<u>500,000</u>	<u>500</u>	<u>500,000</u>	<u>500</u>

	2025		2024	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:	<u>138,194</u>	<u>123</u>	<u>138,194</u>	<u>123</u>

(b) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.

(c) Other reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Total RMB'000
At 1 January 2024	822,541	53,417	875,958
Transfer of reserves	<u>–</u>	<u>16,131</u>	<u>16,131</u>
At 31 December 2024 and 1 January 2025	822,541	69,548	892,089
Transfer of reserves	<u>–</u>	<u>2,237</u>	<u>2,237</u>
At 31 December 2025	<u>822,541</u>	<u>71,785</u>	<u>894,326</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS – continued

(c) Other reserves – continued

The other reserves comprise the following:

- the capital reserve which represents the capital contributions made by shareholder in previous years and the undertaking obligation on acquisition of non-controlling interests as disclosed in note 19(ii).
- the statutory surplus reserve, where in accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

(d) Treasury shares

The shares held under treasury shares represents the consideration for ordinary shares acquired through a trust deed that has been recognised in accordance with the accounting policy adopted for treasury shares in note 2(p). During the year ended 31 December 2025, no treasury shares were repurchased by the Company (2024: 618,600 shares were repurchased with a total consideration of RMB2,755,000).

At 31 December 2025, the number of shares held as treasury shares is 1,697,600 (2024: 1,697,600)

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

(f) Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

(g) Capital management

The Group's primary objectives of capital management are to maintain a reasonable capital structure and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group actively and regularly reviews and manages its capital structure to stabilise the capital position and prevent operational risk. Meanwhile, the Group will maximise the shareholders' return and will make adjustment on the capital structure in accordance with the changes in economic conditions.

The Group monitors capital on the basis of net gearing ratio. This ratio is calculated as bank borrowings divided by total assets. At the end of reporting period, the Group's net gearing ratio was 2.7% (2024: 3.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

25 CASH GENERATED FROM OPERATIONS

(a) Cash flow information

	2025 RMB'000	2024 RMB'000 (restated)
Profit before taxation	186,593	73,808
Adjustments for:		
– Amortisation and depreciation (note 6(c))	62,362	63,107
– Impairment losses on financial assets	39,068	21
– Interest expenses on convertible bonds (note 6(a))	99,813	108,490
– Gain on modification of convertible bonds (note 6(a))	(165,179)	–
– Net fair value gain on financial assets measured at FVPL (note 5)	(625)	(1,624)
– Other finance cost/(income), net (note 6(a))	43	(437)
– Net loss on disposal of property and equipment	332	253
Changes in working capital:		
– Changes in inventories	8,673	17,476
– Changes in trade receivables	(8,224)	17,989
– Changes in other receivables, deposits and prepayments	(3,633)	7,147
– Changes in amounts due from related parties	(8,525)	4,031
– Changes in restricted bank deposits	–	2,516
– Changes in amounts due to related parties	4	162
– Changes in trade payables	10,204	(15,145)
– Changes in contract liabilities	170	(4,826)
– Changes in accruals, other payables and provision	11,505	(3,940)
– Changes in defined benefit plan obligations	3,628	2,797
Cash generated from operating activities	236,209	271,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

25 CASH GENERATED FROM OPERATIONS – continued

(b) Net debt reconciliation

This section sets out an analysis of the reconciliation of the amounts in the cash flows within the equivalent items reported in the consolidated statement of financial position:

	Cash and cash equivalents RMB'000	Term deposits RMB'000	Financial assets measured at FVPL RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000 (restated)	Payables for redeemed bonds RMB'000	Total RMB'000 (restated)
Net debt as at 1 January 2024 (restated)	523,027	50,708	94,156	(82,100)	(9,020)	(929,191)	(81,834)	(434,254)
Cash flows, net	190,711	(13,989)	(33,536)	-	2,165	-	37,034	182,385
New leases	-	-	-	-	(2,959)	-	-	(2,959)
Foreign exchange adjustments	382	-	-	-	-	(21,690)	(1,733)	(23,041)
Fair value changes	-	-	1,624	-	-	-	-	1,624
Interest expenses	-	-	-	(2,578)	(503)	(108,490)	(2,970)	(114,541)
Interest paid	-	-	-	2,578	503	-	-	3,081
Net debt as at 31 December 2024 and 1 January 2025 (restated)	714,120	36,719	62,244	(82,100)	(9,814)	(1,059,371)	(49,503)	(387,705)
Cash flows, net	(48,189)	82,984	(43,898)	13,100	3,577	-	49,503	57,077
New leases	-	-	-	-	(14,777)	-	-	(14,777)
Foreign exchange adjustments	(258)	-	-	-	-	27,649	-	27,391
Fair value changes	-	-	625	-	-	-	-	625
Gain on modification of convertible bonds	-	-	-	-	-	165,179	-	165,179
Interest expenses	-	-	-	(2,094)	(885)	(99,813)	(573)	(103,365)
Interest paid	-	-	-	2,094	885	-	573	3,552
Net debt as at 31 December 2025	665,673	119,703	18,971	(69,000)	(21,014)	(966,356)	-	(252,023)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	7,092	6,363
Within financing cash flows	4,462	2,668
	11,554	9,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and amounts due from related parties (trade in nature). The credit risk of cash and cash equivalents, term and restricted deposits and financial assets measured at FVPL are limited because the counterparties are mainly banks and financial institutions with high credit standing for which the Group considers to have low credit risk.

Except for the financial guarantee given by the Group as set out in note 29(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the end of the reporting period is disclosed in note 29(b).

(i) Trade receivables and amounts due from related parties (trade in nature)

The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and amounts due from related parties (trade in nature).

To measure the ECLs, trade receivables and amounts due from related parties (trade in nature) have been grouped based on similar credit risk characteristics and ages.

The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor portfolio, as majority of the patients will claim their medical bills from public medical insurance program. The reimbursements from these organisations may take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organisations' policies.

The expected loss rates are based on the payment profiles of sales over a period before 31 December 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(a) Credit risk – continued

(i) Trade receivables and amounts due from related parties (trade in nature) – continued

On that basis, the loss allowance of trade receivable and amounts due from related parties (trade in nature) as at 31 December 2025 is determined as follows:

	Lifetime expected credit loss rate	Gross carrying amount	Lifetime expected credit loss	Net carrying amount
31 December 2025				
Trade receivables	0.48%	140,402	(669)	139,733
Amounts due from related parties (trade in nature)	40.29%	179,054	(72,132)	106,922
		<u>319,456</u>	<u>(72,801)</u>	<u>246,655</u>
31 December 2024				
Trade receivables	0.53%	131,960	(697)	131,263
Amounts due from related parties (trade in nature)	19.45%	170,022	(33,064)	136,958
		<u>301,982</u>	<u>(33,761)</u>	<u>268,221</u>

The movements of the loss allowance accounts for trade receivables and amounts due from related parties (trade in nature) as at 31 December 2025 are as follows:

	Trade receivables	
	2025 RMB'000	2024 RMB'000
Loss allowance as at 1 January	697	784
Impairment losses recognised	–	21
Written off	(28)	(108)
Loss allowance as at 31 December	669	697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(a) Credit risk – *continued*

(i) Trade receivables and amounts due from related parties (trade in nature) – *continued*

	Amounts due from related parties (trade in nature)	
	2025 RMB'000	2024 RMB'000
Loss allowance as at 1 January	33,064	33,064
Impairment losses recognised	39,068	–
Loss allowance as at 31 December	72,132	33,064

Trade receivables and amounts due from related parties (trade in nature) are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and amounts due from related parties (trade in nature) are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other financial assets

Other financial assets measured at amortised cost mainly include cash and cash equivalents, term and restricted deposits, other receivables, financial asset measured at FVPL and amounts due from related parties (non-trade in nature). They are considered to be of low credit risk and the relevant expected credit loss is insignificant.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(b) Liquidity risk – continued

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the end of the reporting period) and the earliest dates the Group would be required to repay:

	Contractual undiscounted cash flows					Carrying
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	amount at 31 December RMB'000
At 31 December 2025						
Borrowings and interests	70,083	-	-	-	70,083	69,000
Lease liabilities	4,542	4,083	7,684	8,384	24,693	21,014
Trade payables	165,352	-	-	-	165,352	165,352
Accruals, other payables and provisions measured at amortised cost	405,576	527	1,581	17,102	424,786	419,890
Amounts due to related parties	7,843	-	-	-	7,843	7,843
Convertible bonds	-	1,121,691	-	-	1,121,691	966,356
	<u>653,396</u>	<u>1,126,301</u>	<u>9,265</u>	<u>25,486</u>	<u>1,814,448</u>	<u>1,649,455</u>
						(restated)
At 31 December 2024						
Borrowings and interests	83,575	-	-	-	83,575	82,100
Lease liabilities	2,804	2,781	4,479	576	10,640	9,814
Trade payables	155,148	-	-	-	155,148	155,148
Accruals, other payables and provisions measured at amortised cost	458,937	-	-	-	458,937	458,937
Amounts due to related parties	7,875	-	-	-	7,875	7,875
Convertible bonds	1,150,030	-	-	-	1,150,030	1,059,371
	<u>1,858,369</u>	<u>2,781</u>	<u>4,479</u>	<u>576</u>	<u>1,866,205</u>	<u>1,773,245</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

(c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As at 31 December 2025, the Group did not have any interest-bearing borrowings at variable rates (see note 20 for details of the borrowings). Cash flow interest rate risk in relation to bank balances is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates.

Since the Group has no borrowings with variable interest rates at the end of 2025, no sensitivity analysis about interest rates risk is prepared (2024: Nil).

(d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates. The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2025, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and HKD.

The Group constantly reviews the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

The amounts denominated in the currency other than the functional currency of the Group were as follows:

	As at 31 December 2025		As at 31 December 2024	
	Exposure to foreign currencies		Exposure to foreign currencies	
	USD RMB'000	RMB RMB'000	USD RMB'000	RMB RMB'000 (restated)
Amounts due from related parties	368	–	377	–
Cash and cash equivalents	1,696	202	1,759	40,807
Term deposits	703	–	719	–
Accruals, other payables and provisions	(29)	(240,505)	–	(241,427)
Amounts due to related parties	(1,528)	–	(1,563)	–
	<u>1,210</u>	<u>(240,303)</u>	<u>1,292</u>	<u>(200,620)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(d) Foreign currency risk – *continued*

As at 31 December 2025, if RMB had weakened/strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year of the Group would have been RMB50,000 higher/lower (2024: RMB54,000 higher/lower).

As at 31 December 2025, if RMB had weakened/strengthened by 5% against HKD, with all other variables held constant, post-tax profit for the year of the Group would have been RMB12,010,000 lower/higher (2024: RMB10,336,000 lower/higher).

The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Fair value measurement of financial instruments

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value and fair value hierarchy of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(e) Fair value measurement of financial instruments – *continued*

(i) Financial assets and liabilities measured at fair value – *continued*

Fair value hierarchy – *continued*

	<i>Fair value at 31 December 2025</i>	<i>Fair value measurements as at 31 December 2025 categorised into Level 2</i>
	RMB'000	RMB'000
At 31 December 2025		
Assets		
Financial assets at FVPL		
– Wealth management products (Note 16)	<u>18,971</u>	<u>18,971</u>
		<i>Fair value measurements as at 31 December</i>
		<i>Fair value at 31 December 2024</i>
		<i>2024 categorised into Level 2</i>
		RMB'000
		RMB'000
At 31 December 2024		
Assets		
Financial assets at FVPL		
– Wealth management products (Note 16)	<u>62,244</u>	<u>62,244</u>

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is the estimated amount that the Group would receive at the end of the reporting period, taking into account current market interest rates of instruments with similar risk profile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

(e) Fair value measurement of financial instruments – *continued*

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values at 31 December 2025 and 2024.

27 CAPITAL COMMITMENTS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Contracted for acquisition of property and equipment	783	570
Authorised but not contracted for acquisition of property and equipment	1,400	2,790
	<u>2,183</u>	<u>3,360</u>

28 CONTINGENCIES LIABILITIES

The Group provided guarantees for bank loans drawn by a related party. For details, please refer to note 29(b).

29 MATERIAL RELATED PARTY TRANSACTIONS

The major related parties that had transactions with the Group during the year ended 31 December 2025 were as follows:

Name	Relationship with the Group
Vanguard Glory	Ultimate holding company
Jinhua Hospital	Entity managed by the Group
Yongkang Hospital	Entity managed by the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS – *continued*

(a) Material transactions with related parties

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Hospital management services income	<u>41,892</u>	<u>80,245</u>
Lease expenses	<u>1,264</u>	<u>278</u>
Interest income from loans to a related party	<u>3,529</u>	<u>3,996</u>

(b) Provide guarantees for related party

As at 31 December 2025, the Group has pledged the equity interests in one of its subsidiaries, Zhejiang Honghe Zhiyuan, and also provided joint liability guarantees to various banks for loans granted to Jinhua Hospital. The maximum loan facilities totalled RMB277,000,000. As at 31 December 2025, the principal amount of loan balance of Jinhua Hospital drawn under these guarantees was RMB166,700,000.

(c) None of the above related party transactions in notes 29(a) and 29(b) falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December		As at 1 January
		2025 RMB'000	2024 RMB'000 (restated)	2024 RMB'000 (restated)
Non-current assets				
Interests in subsidiaries		<u>2,546,537</u>	2,560,369	<u>2,565,579</u>
Current assets				
Cash and cash equivalents		<u>5,328</u>	12,825	<u>6,366</u>
Current liabilities				
Accruals, other payables and provisions		<u>324,874</u>	304,300	<u>279,490</u>
Amounts due to related parties		<u>1,528</u>	1,563	<u>1,540</u>
Convertible bonds		<u>–</u>	1,059,371	<u>–</u>
		<u>326,402</u>	<u>1,365,234</u>	<u>281,030</u>
Net current liabilities		<u>(321,074)</u>	<u>(1,352,409)</u>	<u>(274,664)</u>
Total assets less current liabilities		<u>2,225,463</u>	<u>1,207,960</u>	<u>2,290,915</u>
Non-current liabilities				
Convertible bonds		<u>966,356</u>	–	<u>929,191</u>
Accruals, other payables and provisions		<u>–</u>	–	<u>45,310</u>
		<u>966,356</u>	<u>–</u>	<u>974,501</u>
NET ASSETS		<u>1,259,107</u>	<u>1,207,960</u>	<u>1,316,414</u>
CAPITAL AND RESERVES				
Share capital	24	<u>123</u>	123	<u>123</u>
Reserves (Note)		<u>1,258,984</u>	<u>1,207,837</u>	<u>1,316,291</u>
TOTAL EQUITY		<u>1,259,107</u>	<u>1,207,960</u>	<u>1,316,414</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION – *continued*

Note: Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium RMB'000 (note 24(b))	Other reserves RMB'000 (note 24(c))	Exchange reserve RMB'000 (note 24(e)) (restated)	Retained profits/ (accumulated losses) RMB'000 (restated)	Total RMB'000 (restated)
Balance at 31 December 2023	435,304	843,087	–	28,942	1,307,333
Change of functional currency (Note 2(c))	–	–	15,717	(6,759)	8,958
At 1 January 2024 (restated)	435,304	843,087	15,717	22,183	1,316,291
Loss for the year	–	–	–	(116,102)	(116,102)
Exchange differences on translation of financial statements into presentation currency	–	–	7,648	–	7,648
At 31 December 2024 and 1 January 2025 (restated)	435,304	843,087	23,365	(93,919)	1,207,837
Profit for the year	–	–	–	48,614	48,614
Exchange differences on translation of financial statements into presentation currency	–	–	2,533	–	2,533
At 31 December 2025	435,304	843,087	25,898	(45,305)	1,258,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

31 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
2025					
Executive directors					
Mr. Chen Shuai	-	-	-	-	-
Mr. Pu Chengchuan	-	-	-	-	-
Ms. Pan Jianli	-	1,271	525	40	1,836
Non-executive directors					
Ms. Liu Lu	-	-	-	-	-
Ms. Wang Nan	-	-	-	-	-
Independent non-executive directors					
Mr. Shi Luwen	150	-	-	-	150
Mr. Zhou Xiangliang	150	-	-	-	150
Mr. Dang Jinxue	150	-	-	-	150
	<u>450</u>	<u>1,271</u>	<u>525</u>	<u>40</u>	<u>2,286</u>
2024					
Executive directors					
Mr. Chen Shuai	-	-	-	-	-
Mr. Pu Chengchuan	-	-	-	-	-
Ms. Pan Jianli	-	1,252	584	17	1,853
Non-executive directors					
Ms. Liu Lu	-	-	-	-	-
Ms. Wang Nan	-	-	-	-	-
Independent non-executive directors					
Mr. Shi Luwen	150	-	-	-	150
Mr. Zhou Xiangliang	150	-	-	-	150
Mr. Dang Jinxue	150	-	-	-	150
	<u>450</u>	<u>1,252</u>	<u>584</u>	<u>17</u>	<u>2,303</u>

32 COMPARATIVE FIGURES

As a result of the change in accounting policy in respect of functional currency of the Company, certain comparative figures have been restated. Further details of the change in accounting policies is disclosed in note 2(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Expressed in RMB unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRSs – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1, *Presentation of financial statements*, and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.