



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

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

Stock code: 2120

2025

ANNUAL REPORT



Contents

	Page
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
CHAIRMAN'S STATEMENT	5
MANAGEMENT DISCUSSION AND ANALYSIS	7
REPORT OF THE BOARD	43
REPORT OF THE SUPERVISORY COMMITTEE	58
CORPORATE GOVERNANCE REPORT	59
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	79
AUDITOR'S REPORT	93
CONSOLIDATED BALANCE SHEETS	100
COMPANY'S BALANCE SHEETS	105
CONSOLIDATED INCOME STATEMENT	109
COMPANY'S INCOME STATEMENTS	112
CONSOLIDATED CASH FLOW STATEMENT	114
COMPANY'S STATEMENTS OF CASH FLOWS	117
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY	119
COMPANY'S STATEMENTS OF CHANGES IN OWNERS' EQUITY	123
NOTES TO THE FINANCIAL STATEMENTS	127
DEFINITIONS	283



Corporate Information

Board of Directors

Executive Directors

Mr. GUAN Weili (*Chairman*)
Ms. WANG Lianyue
Mr. WANG Jian

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Ms. JIN Ling
Mr. CHAN Sai Keung Hugo

Audit Committee

Ms. ZHONG Wentang (*Chairman*)
Mr. LI Changhao
Ms. JIN Ling

Nomination Committee

Mr. CHAN Sai Keung Hugo (*Chairman*)
Mr. GUAN Weili
Ms. JIN Ling

Remuneration Committee

Ms. JIN Ling (*Chairman*)
Ms. ZHONG Wentang
Mr. CHAN Sai Keung Hugo

Strategy and Risk Management Committee

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

Supervisory Committee

Mr. XU Ning (*Chairman*)
Mr. XU Yongjiu
Mr. FANG Wei
Mr. XIE Tiefan
Mr. QIAN Chengliang

Joint Company Secretaries

Mr. WANG Jian
Mr. WONG Wai Chiu

Authorized Representatives

Mr. GUAN Weili
Mr. WONG Wai Chiu

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP

Legal Advisor as to Hong Kong Laws

Clifford Chance

Registered Office and Head Office in the PRC

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Wenzhou, Zhejiang
PRC

Corporate Information

Principal Place of Business in Hong Kong

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Wanchai
Hong Kong

H Share Registrar

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Wanchai
Hong Kong

Stock Code

2120

Company's Website

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Investor Relations

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Financial Highlights

Principal Financial Data and Indicators

	For the year ended December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Restated)
Revenue	1,619,784	1,654,289	1,596,266	1,484,903	1,297,430
Profit before income tax	69,219	68,099	99,182	15,605	95,691
Income tax expenses	32,615	17,702	12,250	26,574	54,831
Net profit	36,604	50,398	86,932	-10,969	40,860
Net profit attributable to shareholders of the Company	54,396	65,610	85,948	-24,221	44,036
Profit or loss attributable to non-controlling interests	-17,792	-15,212	984	13,252	-3,176

	As of December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Restated)
Total assets	3,025,567	3,004,953	3,047,687	2,637,787	2,377,955
Total liabilities	1,713,937	1,661,651	1,639,481	1,311,885	1,097,676
Total equity	1,311,630	1,343,302	1,408,206	1,325,903	1,280,279
Equity attributable to shareholders of the Company	1,187,819	1,223,013	1,265,065	1,201,585	1,208,264
Non-controlling interests	123,811	120,289	143,141	124,318	72,015

Chairman's Statement

Dear Shareholders,

First of all, on behalf of the Board of Directors of Wenzhou Kangning Hospital Co., Ltd., I am pleased to present the annual report of the Group for the year ended December 31, 2025.

In 2025, macroeconomic recovery is still moving forward in the midst of twists and turns, with the private medical industry facing challenges due to various factors such as further promotion of reform of the medical industry, optimization of medical insurance payment systems and structural changes in the market competition. The Group continues to face pressure on both revenue and profit during the year. However, we always believe that the rigid public healthcare demand for psychiatric healthcare and elderly health will be the core foundation of the business of the Group. We remained steadfast in our belief in long-term value. Guided by our core values of “Respecting Life and Serving Humbly,” we focused on the true essence of healthcare, pursued development through challenges and achieved breakthroughs amidst reforms, thereby achieving steady improvement in quality and returns.

2025 was a year of implementation and deepening of industry policies with an accelerated increase in demand, and a year in which the Group has carried out deep cultivation of “mental health care + elderly medical services” sectors in laying a solid foundation for its development. China has seen a continued increase in psychiatric health demand, with demand of key groups such as children, teenagers and senior citizens for psychiatric services became more urgent. Meanwhile, as the challenge of population aging is becoming increasingly prominent in China, with a steady growth in population aged 60 and above, and the trend of upgrading requirements of the older community for diversified and refined services including a combination of medical treatment and endowment, rehabilitation and nursing and chronic disease management, benefits of policies and market potential arising from the development of the silver economy has been releasing. We firmly believe that psychiatric specialized medical service industry and elderly healthcare industry, with social and market values as cores, will be the key foundation and the basis for the development of the Group in heading through industry life cycles for steady and sustaining growth.

In face of the opportunistic and challenging industry environment, we have stayed focused on the core dual-sector strategy, by which we enhance quality and efficiency of our business by implementing multi-dimensional initiatives. In the field of psychiatric specialized medical industry, we continued to consolidate our advantage in the layout of physical specialty hospitals. By advancing the “diversified and differentiated” service model, we cater needs of different groups of people with optimized distinctive services such as psychological services for children and adolescents and specialized psychiatric healthcare services for adults. In the elderly healthcare sector, we accelerated the enhancement of integrated medical and elderly care services of our elderly hospitals. Guided by national policies of quality development of integrated medical and elderly care services, we developed the integrated “healthcare – care – rehabilitation – support – psychology – nutrition” service system, while focusing on the development of our elderly healthcare investment platform to explore new modes of elderly healthcare service. We also continued to expand along the industry value chain and upgrade our internet hospital platform, to achieve integration of online and offline services, while optimising management on the pharmaceutical supply chain. We also conducted research and development of ancillary products that meet the needs of psychiatric healthcare business and elderly healthcare business, so as to meet health needs of the patients for diversified and whole life-cycle services with our comprehensive services.

Chairman's Statement

We have been taking shareholders' interests as the core and adhering to the original intention and commitment of delivering shareholder returns. Leveraging our solid foundation for operation, we implemented the profit distribution as a concrete action to reward our shareholders' trust and support. At the same time, the Company continued to implement the share repurchase plan, by which the Company has effectively enhanced net assets per share and earnings per share through repurchase actions, thereby further enhancing shareholder value, underscoring the Company's strong confidence in future development, further consolidating the basis for the Group's development in the capital market and sharing with the shareholders fruits of development of the Group.

Dear Shareholders! The healthcare industry is a long-distance running in the pursuit of value that is measured by commitment of time. Staying true to the founding mission and making dedicated efforts are the key to steady and long-term development. In the past year, we withstood the pressure, made development through exploring, and built a robust foundation for the development of our dual-sector model with our expertise and perseverance. Looking forward, we will continue to seize the opportunities presented by development of the sector as a long-distance runner in the pursuit of value. We will coordinate synergies between psychiatric health and elderly healthcare segments, and continue to drive innovations in services, modes and technologies, to cultivate Kangning's unique core competitiveness. We strongly believe that by enduring hardships, we will demonstrate our adherence to the initial mission. Driven by a gradual macroeconomic recovery, continuous support by industry policies and rigid demand that kept increasing, the Group will achieve development of higher quality.

GUAN Weili
Chairman

April 27, 2026

Management Discussion and Analysis

Business Review and Outlook

Psychiatric Specialized Medical Service Industry and Elderly Healthcare Industry in China

Psychiatric Specialized Medical Service Industry

Mental health and psychiatric well-being have become a major livelihood issue in the construction of a healthy China. In a fast-paced society with growing pressures of daily life, the people with mental illnesses in China have been increasing. The needs for services cover all age groups and show characteristics of rapid growth and rigid demand. According to the World Mental Health Report issued by the World Health Organization in 2025, there are nearly 1 billion people with mental illness. According to the Report on National Mental Health Development in China (2023), the detection rates of risk of depression in adults in China reached 10.6% , while the overall attendance rate is far from satisfactory and the potential demand has not been fully released. In stark contrast to the market demand for continuous capacity expansion, the supply side of the industry had significant shortcomings, which are reflected in three major imbalances: firstly, the imbalance in the distribution of professional resources, mental health medical institutions are mainly concentrated in first- and second-tier cities, while service capacity in counties and grassroots areas were weak, making it difficult to meet the needs of the lower-tier market; secondly, there was an imbalance between the supply and demand of talent, with a significant shortage of professionals such as psychiatrists and psychotherapists, and grassroots medical institutions generally lacking full-time mental health service personnel, resulting in insufficient professional service capacity; thirdly, the service structure was unbalanced, with industry services still mainly focused on the diagnosis and treatment of severe mental disorders, while the supply of services such as psychological counseling, early intervention, and community rehabilitation for the general public was insufficient, failing to meet the diversified market demands. In this context, socially-owned psychiatric specialist medical institutions, by virtue of their advantages in chain layout, specialised services and market-oriented operation, have become an important force in making up for the shortcomings of public medical resources and enriching the service supply system. The market-oriented development space of the industry continued to expand.

Elderly Healthcare Industry

The aging process of China's population continues to accelerate and has entered a stage of profound aging. The demand for medical and health services for the elderly presents rigid, diversified and refined characteristics, and has become the core growth track of the healthcare field. The integration between mental health needs and medical service needs among the elderly population has become increasingly prominent. According to the latest data by the National Statistics Bureau in 2025, China's elderly population aged 60 and above will reach 320 million, accounting for over 23% of the national total population. Among them, there are 220 million people aged 65 and above, and the number of disabled and semi-disabled elderly population will continue to grow. The proportion of the elderly population aged 80 and above has increased year by year, and the elderly population is significantly more dependent on medical services compared to other demographic groups.

Management Discussion and Analysis

In terms of demand structure, the healthcare needs of the elderly people have been upgraded from traditional diagnosis and treatment of diseases to diversified directions such as the integration of medical care and health care, rehabilitation care, chronic disease management, palliative care, health management, and psychological intervention: firstly, the management needs of chronic diseases are outstanding. The elderly patients with chronic diseases such as hypertension, diabetes and cardiovascular diseases have a large base and are in urgent need of long-term standardized diagnosis and treatment and health monitoring services; secondly, the demand for integrated medical and elderly care services is rigid, and the demand for integrated services of “diagnosis and treatment + elderly care + caring” for the disabled and semi-disabled elderly continues to increase; thirdly, there is a large demand gap between rehabilitation nursing and hospice care, and the supply of postoperative rehabilitation, chronic disease rehabilitation and hospice palliative care services for elderly patients is insufficient; fourthly, the demand for mental and psychological services has surged, causing problems such as depression, anxiety, and cognitive impairment in the elderly. The high incidence of the disease has become an important part of the elderly medical services; fifthly, the demand for smart health services has emerged, and the elderly have gradually increased their acceptance of remote diagnosis and treatment, smart health monitoring and aging-appropriate medical products.

In terms of the policy environment, the State has attached great importance to the development of the elderly health sector. With the development of the elderly economy, the promotion of high-quality development combining medical care and elderly care, and the improvement of the elderly health service system as the core, a series of measures were implemented, including the Opinions of the General Office of the State Council on Developing the Silver Economy to Enhance the Wellbeing of the Elderly, the Guiding Opinions on Promoting the High-Quality Development of Medical-Nursing Combined Services, Several Measures on Cultivating Aged-care Service Providers and Promoting the Development of the Silver Economy, and Certain Measures to Deepen the Guarantee of Natural Resources to Support the Reform and Development of Elderly Care Services”, to form an all-round support system from design to implementation, providing a clear policy guidance and broad development space for private hospitals to participate in the development of the elderly healthcare sector. The participation of social effort has become an important direction for the development across the industry, and the industry, as a whole, has ushered in a golden development period with the release of policy dividends, the expansion of market demand and the innovation of service models.

Management Discussion and Analysis

Business Review

In 2025, with the continuous geopolitical conflicts around the world and the significant increase in complexity and uncertainty of the external environment, the domestic medical industry has entered a critical phase where the reform of medical insurance payment was further promoted, the industry competition landscape has continuously restructured, and the social medical service has accelerated to transform into standardization and specialization. Facing the situation with multiple internal and external pressures intertwined, the Group adhered to the development strategy of “psychiatric healthcare as the foundation and elderly healthcare as the strategic growth outlet”, targeting “quality and efficiency improvement, lean operation, and stable compliance” to manage business development, risk prevention and control and long-term layout, and the overall business remained stable during the Reporting Period.

During the Reporting Period, the Group recorded total revenue of RMB1,619.8 million, representing a decrease of 2.1% as compared with 2024. Among them, the revenue from operating its owned hospitals amounted to RMB1,448.7 million, representing a decrease of 4.6% as compared with 2024. During the Reporting Period, the Group’s net profit attributable to Shareholders of the Company amounted to RMB54.4 million, representing a decrease of 17.1% as compared with 2024. As of December 31, 2025, the Group has 34 owned hospitals (December 31, 2024: 32), including an independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds remained at 11,508 (December 31, 2024: 11,508).

Psychiatric Healthcare Business

Revenue declined under pressure but overall operation stable and controllable

In 2025, under the combination of multiple factors such as the normalization of medical insurance cost control and the rising labor cost of medical staff, revenue from the Group’s psychiatric healthcare business has declined as compared with the same period last year, and the profiting end of the business was under obvious pressure. However, with the increasing rigid demand for psychiatric healthcare, by leveraging mature specialty operation capabilities and good regional brand advantages, the Group actively hedged external impacts through standardized operation, differentiated positioning, refined management and cost reduction with efficiency enhancement. The overall operation momentum of the psychiatric healthcare business remained stable, and its core fundamentals remained steady.

Management Discussion and Analysis

As of December 31, 2025, the Group had 26 owned hospitals focusing on psychiatric healthcare services. The following table sets forth the distribution, number and number of beds in operation of the Group's owned hospitals under its psychiatric healthcare business as at December 31, 2025:

	As at December 31, 2025		As at December 31, 2024	
	Number of facilities	Number of beds in operation	Number of facilities	Number of beds in operation
Zhejiang Region	16	6,580	15	6,770
Non-Zhejiang region	10	2,128	10	2,158
Total	26	8,708	25	8,928

Elderly Healthcare Business

Preliminary implementation of systematic construction and gradual release of growth drivers

The year 2025 was the first year for the independent operation and systematic development of the Group's elderly healthcare segment. Supported by the aging population, rigid growth in elderly healthcare demand and the policy to integrate health and social care, the elderly healthcare business of the Group has developed steadily. In 2025, with elderly healthcare, rehabilitation care and long-term care as its core business, the Group built a closed-loop service chain of "hospitals – healthcare centers – caregiver companies – home care services", and completed the establishment of organizational structure, improvement of institutional framework, construction of supply chains and self-owned nursing team in the elderly healthcare business segment, and the segment has gradually developed into the second growth curve of the Group through centralized procurement, human resources collaboration and lean operations.

As of December 31, 2025, the Group had 7 owned hospitals focusing on elderly healthcare services, and 1 rehabilitation project under construction. The following table sets forth the distribution, number and number of beds in operation of the Group's owned hospitals under elderly healthcare business as at December 31, 2025:

	As at December 31, 2025		As at December 31, 2024	
	Number of facilities	Number of beds in operation	Number of facilities	Number of beds in operation
Wenzhou area	6	2,630	6	2,580
Hangzhou area	1	170	–	–
Total	7	2,800	6	2,580

Management Discussion and Analysis

Business Highlights

In 2025, guided by an innovation-driven approach, the Group deepened the coordinated development among various industries, and achieved a number of accomplishments in the fields of digital transformation, discipline construction and scientific research innovation, and industry synergy, which further enhanced its core competitiveness, and overall presented a sound development trend of “stabilizing foundation, fostering growth drivers, strengthening barriers and optimizing structure”.

In terms of digital transformation, the Group promoted high-quality development through digital empowerment, comprehensively upgraded the new generation of Hospital Information System, electronic medical record and the healthcare and support system, independently developed the “drug traceability code”, and launched the pilot application of AI medical record writing and quality control system and medical insurance intelligent supervision system, significantly enhancing the information infrastructure’s capabilities in supporting refined operations and compliance management.

In terms of discipline construction and scientific research innovation, the Group was approved for 3 projects under Zhejiang Province’s “Top Soldiers (尖兵)”, “Leading Geese (領雁)” and R&D Key Breakthrough Program; the “children’s attention deficit hyperactivity disorder team” was selected as the first batch of “small but strong” clinical cultivation and innovation teams in Zhejiang Province, while 22 new diagnosis and treatment technologies/projects were added, 45 SCI papers were published, and 1 international invention patent was granted throughout the year.

In terms of industrial synergy, Zhejiang Jerinte Health Technology Co., Ltd., a subsidiary of the Group, was awarded as a Zhejiang Provincial Specialized and Sophisticated Enterprise and a Gazelle Enterprise. Meanwhile, synergistic efficiency was achieved among Zhejiang Dening Pharmaceutical Co., Ltd. and Zhejiang Yining Health Technology Co., Ltd., both being our subsidiaries, and other industrial sectors, gradually building a diversified support system with the pharmaceutical industry, information, psychological services, and forming a new layout of industry mutual promotion of the healthcare sector and the industry.

Management Discussion and Analysis

Business Outlook

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

- (i) risk relating to high reimbursement amount from public medical insurance. From 2023 to 2025, reimbursement amount from public medical insurance accounted for more than 50% of the cash received from sales of goods and rendering of service for the respective years. If the Group's healthcare facilities are unable to maintain the of designated medical insurance institutions in the future, or there are adverse changes on the national public medical insurance policy in respect of treatment of mental illness and gerontic illness, the Group's operating results will be affected adversely;
- (ii) risk relating to shortage of professional medical talents. Under the laws and regulations of the PRC, healthcare facilities shall maintain a certain number of medical staff. With the increase in the number of healthcare facilities of the Group, if we are unable to recruit or maintain adequate medical staff, we will face difficulties to provide patients with the desirable medical services, which in return will adversely affect our operating results; and
- (iii) risk relating to failure to renew qualifications and licenses required for our operations. Healthcare facilities are required to obtain the medical practice license before carrying out their businesses, which usually has a valid period and requires regular inspections by the regulatory authorities. If the healthcare facilities of the Group are unable to renew their licenses in the future due to poor management or non-compliant operation, our operating results will be affected adversely.

Prospect

In 2026, although there will be uncertainties in the recovery of the global economy, and normalized price control over domestic medical insurance and fierce industry competition will continue in the short term, the continuous enhancement of public health awareness and the constant deepening of population aging in China will lay a foundation for the long-term rigid demand in the psychiatric healthcare and elderly health business. Meanwhile, the direction of social healthcare is obviously heading towards standardization, specialization, and brand concentration. Being the first year of the "15th Five-Year Plan", 2026 is an important year for the Group's transformation and development strategy, and the Group will adhere to the general principle of "seeking progress while maintaining stability, and making breakthroughs in innovation", and accelerate the transformation of its development model from scale expansion to connotation improvement and refined operation. The Group will continue to uphold the core values of "blessing lives and serving with humility", stay true to the essence of healthcare services, and pursue the direction of "Specialization and Innovation, Quality Improvement and Efficiency Enhancement". By leveraging artificial intelligence to elevate lean operations, the Group will seize the development opportunities arising from the two major fields of psychiatric healthcare and elderly healthcare, and fulfill its responsibility as a medical practitioner with better and warmer healthcare services to create long-term stable value for Shareholders.

Management Discussion and Analysis

Financial Review

The Group recorded revenue of RMB1,619.8 million during the Reporting Period, representing a decrease of 2.1% from 2024, of which revenue from the operation of owned hospitals amounted to RMB1,448.7 million, representing a decrease of 4.6% from 2024. During the Reporting Period, the gross profit margin of owned hospitals was 25.8% (2024: 25.9%), and the Group's overall gross profit decreased to RMB419.1 million, representing a decrease of 4.4% from 2024. Net profit attributable to Shareholders of the Company for the Reporting Period was RMB54.4 million, representing a decrease of 17.1% from 2024. During the Reporting Period, the Group's net cash generated from operating activities was RMB440.0 million (2024: RMB99.6 million), representing an increase of RMB340.3 million from 2024.

Revenue and Cost of Revenue

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

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Revenue from operating owned hospitals	1,448,706	1,517,773
Including: Revenue from psychiatric healthcare business	1,019,941	1,055,907
Revenue from elderly healthcare business	428,765	461,866
Revenue from other healthcare related business	168,501	135,921
Other revenue not related to healthcare business	2,577	595
Total revenue	1,619,784	1,654,289

Management Discussion and Analysis

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees (“**Billing Revenue**”) charged for outpatient visits and inpatient services at the Group’s various hospitals, which can be divided into treatment and general healthcare services and pharmaceutical sales, as well as variable considerations for medical services provided by the Group, mainly including medical insurance settlement differences.

The table below sets forth a breakdown of the Billing Revenue of the Group’s owned hospitals adjusted to operating revenue by psychiatric healthcare business and elderly healthcare business for the periods indicated:

	For the year ended	
	December 31,	
	2025	2024
	(RMB’000)	(RMB’000)
Billing Revenue from owned hospitals	1,479,027	1,582,054
Including: Revenue from psychiatric healthcare business	1,047,554	1,107,269
Revenue from elderly healthcare business	431,473	474,785
Less: Variable considerations	30,321	64,281
Revenue from operating owned hospitals – net	1,448,706	1,517,773

During the Reporting Period, the Group’s owned hospital Billing Revenue amounted to RMB1,479.0 million, representing a decrease of 6.5% from 2024, primarily due to the decrease in income driven by the decrease in average outpatient spending per visit and average inpatient spending per day per bed. During the Reporting Period, the variable consideration was RMB30.3 million, representing a decrease of RMB34.0 million from 2024, and the variable consideration as a percentage of Billing Revenue decreased to 2.1% (2024: 4.1%).

Management Discussion and Analysis

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

	For the year ended	
	December 31, 2025	2024
	(RMB'000)	(RMB'000)
Billing Revenue from psychiatric healthcare business	1,047,554	1,107,269
Cost of revenue	712,285	745,959
Gross profit	335,269	361,310
Billing Revenue from elderly healthcare business	431,473	474,785
Cost of revenue	362,640	379,458
Gross profit	68,833	95,327

During the Reporting Period, Billing Revenue in owned hospitals of the Group amounted to RMB1,479.0 million, representing a decrease of RMB103.0 million from 2024, mainly due to the decrease in Billing Revenue of Wenzhou Kangning Hospital, Geriatric Hospital, Yongjia Kangning Hospital, Pingyang Changgeng Yining Hospital and Beijing Yining Hospital. During the Reporting Period, the gross profit of the Group's owned hospitals in terms of Billing Revenue has decreased by 11.5% as compared with that in 2024, mainly due to the decrease in inpatient spending per day per bed.

Management Discussion and Analysis

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

Psychiatric healthcare business

	For the year ended December 31,	
	2025	2024
Inpatients		
Inpatient bed as at period end	8,708	8,928
Effective inpatient service bed-day capacity	3,178,420	3,267,648
Utilization rate (%)	91.4	88.4
Number of inpatient bed-days	2,904,367	2,889,163
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	791,185	844,076
Average inpatient spending per bed-day on treatment and general healthcare services (RMB)	272	292
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	87,657	89,656
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	30	31
Total inpatient revenue (RMB'000)	878,842	933,732
Total average inpatient spending per bed-day (RMB)	303	323
Outpatients		
Number of outpatient visits	657,802	474,581
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	43,256	45,078
Average outpatient spending per visit on treatment and general healthcare services (RMB)	66	95
Pharmaceutical sales revenue attributable to outpatients (RMB'000)	125,456	128,459
Average outpatient spending per visit on pharmaceutical sales (RMB)	191	271
Total outpatient revenue (RMB'000)	168,712	173,537
Total average outpatient spending per visit (RMB)	257	366
Total treatment and general healthcare services revenue (RMB'000)	834,441	889,154
Total pharmaceutical sales revenue (RMB'000)	213,113	218,115

Management Discussion and Analysis

During the Reporting Period, inpatient Billing Revenue from the psychiatric business was RMB878.8 million, representing a decrease of 5.9% from 2024, mainly due to slowdown in the growth rate of owned hospitals including Wenzhou Kangning Hospital, Yongjia Kangning Hospital, Taizhou Kangning Hospital, Luqiao Cining Hospital and Huainan Kangning Hospital, resulting in the decrease in spending per bed per day of the psychiatric healthcare business by 6.2% as compared with the same period in 2024. Inpatient Billing Revenue of the psychiatric healthcare business accounted for 83.9% (2024: 84.3%) of the Billing Revenue of the psychiatric healthcare business.

During the Reporting Period, outpatient Billing Revenue from the psychiatric healthcare business amounted to RMB168.7 million, representing a decrease of 2.8% as compared with 2024, mainly attributable to the decrease of 29.8% in the average outpatient spending per visit together with the increase of 38.6% in the number of outpatient visits. Outpatient Billing Revenue from the psychiatric healthcare business accounted for 16.1% (2024: 15.7%) of the Billing Revenue from the psychiatric healthcare business.

During the Reporting Period, as both the inpatient and outpatient segments under the psychiatric healthcare business declined, the Billing Revenue from treatment and general healthcare services under the psychiatric healthcare business decreased by 6.2% as compared with 2024, with its proportion to the Billing Revenue from the psychiatric healthcare business dropping to 79.7% (2024: 80.3%), and the Billing Revenue from pharmaceutical sales under the psychiatric healthcare business decreased by 2.3% as compared with 2024, accounting for 20.3% (2024: 19.7%) of the Billing Revenue from the psychiatric healthcare business. In particular, the proportion of inpatient Billing Revenue from pharmaceutical sales to the total inpatient Billing Revenue increased to 10.0% (2024: 9.6%), and the proportion of outpatient Billing Revenue from pharmaceutical sales to the total outpatient Billing Revenue increased to 74.4% (2024: 74.0%).

Management Discussion and Analysis

Elderly healthcare business

	For the year ended December 31,	
	2025	2024
Inpatients		
Inpatient bed as at period end	2,800	2,580
Effective inpatient service bed-day capacity	1,022,000	944,280
Utilization rate (%)	89.6	96.1
Number of inpatient bed-days	916,061	907,255
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	316,454	346,074
Average inpatient spending per visit on treatment and general healthcare services (RMB)	346	382
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	92,910	93,599
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	101	103
Total inpatient revenue (RMB'000)	409,364	439,673
Total average inpatient spending per bed-day (RMB)	447	485
Outpatients		
Number of outpatient visits	62,353	83,661
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	9,812	15,632
Average outpatient spending per visit on treatment and general healthcare services (RMB)	157	187
Pharmaceutical sales revenue attributable to outpatients (RMB'000)	12,297	19,480
Average outpatient spending per visit on pharmaceutical sales (RMB)	197	233
Total outpatient revenue (RMB'000)	22,109	35,112
Total average outpatient spending per visit (RMB)	355	420
Total treatment and general healthcare services revenue (RMB'000)	326,266	361,706
Total pharmaceutical sales revenue (RMB'000)	105,207	113,079

Management Discussion and Analysis

During the Reporting Period, inpatient Billing Revenue from the elderly healthcare business amounted to RMB409.4 million, representing a decrease of 6.9% as compared to 2024, mainly due to a decrease of 7.8% in average inpatient spending per bed per day in respect of the elderly healthcare business at the Geriatrics Hospital compared to 2024 due to adjustments of business structure. Inpatient Billing Revenue from the elderly healthcare business accounted for 94.9% (2024: 92.6%) of the Billing Revenue from the elderly healthcare business.

During the Reporting Period, outpatient Billing Revenue from the elderly healthcare business amounted to RMB22.1 million, representing a decrease of 37.0% as compared with 2024, primarily due to the decrease of 25.5% in the number of outpatient visits and the decrease of 15.5% in the average outpatient spending per visit resulted from the declined outpatient business of Pingyang Changgeng Yining Hospital. Outpatient Billing Revenue from the elderly healthcare business accounted for 5.1% (2024: 7.4%) of the Billing Revenue from the elderly healthcare business.

During the Reporting Period, as the inpatient and outpatient segment under the elderly healthcare business both declined, Billing Revenue from treatments and general healthcare services under the elderly healthcare business decreased by 9.8% from 2024, with its proportion to the Billing Revenue from elderly healthcare business of owned hospitals decreased to 75.6% (2024: 76.2%), and the Billing Revenue from pharmaceutical sales under the elderly healthcare business decreased by 7.0% as compared with 2024, accounting for 24.4% (2024: 23.8%) of the Billing Revenue from the elderly healthcare business. In particular, the proportion of inpatient Billing Revenue from pharmaceutical sales to the total inpatient Billing Revenue from the elderly healthcare business increased to 22.7% (2024: 21.3%), and the proportion of outpatient Billing Revenue from pharmaceutical sales to the total outpatient Billing Revenue from the elderly healthcare business increased to 55.6% (2024: 55.5%).

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Pharmaceuticals and consumables used	300,340	340,120
Employee benefits and expenses	472,192	464,874
Depreciation and amortization of long-term assets	105,477	127,032
Canteen expenses	67,903	68,571
Testing fees	10,700	16,112
Others	118,313	108,708
Cost of revenue of owned hospitals	1,074,925	1,125,417

Management Discussion and Analysis

During the Reporting Period, the cost of revenue of the Group's owned hospitals decreased to RMB1,074.9 million, representing a decrease of 4.5% as compared with 2024. It was mainly due to: (i) the decrease of 11.7% of costs of pharmaceuticals and consumables as compared with 2024; (ii) the increase of 1.6% in employee benefits and expenses as compared with 2024; and (iii) depreciation and amortization of long-term assets decreased by 17.0% as compared with 2024.

From the cost portfolio structure perspective, the proportion of pharmaceuticals and consumables used in the cost of revenue of owned hospitals decreased to 27.9% (2024: 30.2%). The proportion of employee benefits and expenses to cost of revenue of owned hospitals increased to 43.9% (2024: 41.3%). The proportion of depreciation and amortization of long-term assets to cost of revenue of owned hospitals was 9.8% (2024: 11.3%).

Revenue from other healthcare related business

The revenue from other healthcare related business of the Group primarily includes revenue from sales of medical devices and pharmaceutical sales outside the hospitals, revenue from non-medical care service, revenue from social mental service, revenue from healthcare information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB168.5 million, of which revenue from sales of medical devices and pharmaceuticals outside the hospitals was RMB107.4 million (2024: RMB90.1 million). The table below sets forth a breakdown of the revenue from other healthcare related business of the Group for the periods indicated:

Items	For the year ended December 31,	
	2025 (RMB'000)	2024 (RMB'000)
Revenue from sales of medical devices and pharmaceuticals outside the hospitals	107,370	90,138
Revenue from management service	2,369	2,970
Revenue from non-medical care service	36,812	16,137
Other revenue	21,950	26,676
Revenue from the other healthcare related business	168,501	135,921

Other revenue not related to healthcare business

The Group's other revenue not related to healthcare business mainly includes property leasing income. During the Reporting Period, revenue from the property leasing income was RMB2.6 million (2024: RMB0.6 million).

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB419.1 million, representing a decrease of 4.4% as compared with 2024. The gross profit of the owned hospitals businesses on operating income basis amounted to RMB373.8 million, representing a decrease of 4.7% as compared with 2024. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the year ended December 31,	
	2025	2024
Owned hospitals businesses	25.8%	25.9%
Psychiatric healthcare business	30.2%	29.4%
Elderly healthcare business	15.4%	17.8%
Other businesses	26.5%	33.7%
Consolidated gross profit margin	25.9%	26.5%

During the Reporting Period, consolidated gross profit margin of the Group decreased to 25.9% (2024: 26.5%).

Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB11.2 million (2024: RMB12.3 million), of which house property tax of self-owned properties was RMB8.1 million.

Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB7.7 million (2024: RMB10.0 million), mainly representing promotion expenses relating to pharmaceutical companies, Internet hospitals and other non-owned hospitals. The proportion of selling expenses to the revenue from operating owned hospitals of the Group was 0.5% (2024: 0.7%).

Management Discussion and Analysis

Administrative Expenses

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Employee benefits and expenses	140,740	133,002
Depreciation and amortization	31,379	30,792
Consultancy expenses	9,423	9,037
Travelling expenses	4,661	4,978
Others	46,903	49,537
Total administrative expenses	233,106	227,346

During the Reporting Period, the administrative expenses of the Group amounted to RMB233.1 million, representing an increase of 2.5% as compared with 2024, which was mainly due to an increase in employee benefits and expenses of 5.8% as compared with 2024. The proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 16.1% (2024: 15.0%).

Research and Development Expenses

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Clinical research	23,313	25,088
Development of informatization software	5,339	9,827
Construction of Internet hospital platform	1,472	1,604
Total	30,124	36,519

Management Discussion and Analysis

During the Reporting Period, the Group's research and development expenses amounted to RMB30.1 million (2024: RMB36.5 million), representing a decrease of 17.5% as compared with 2024. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group decreased to 2.1% (2024: 2.4%).

Finance Expenses – Net

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Interest income	-842	-3,123
Foreign exchange losses	30	157
Bank borrowing interest expense	27,289	33,143
Interest expenses on lease liabilities	11,522	8,458
Interest expenses on finance leases	6,942	7,900
Others	1,315	1,058
Finance expenses – net	46,256	47,593

During the Reporting Period, the net finance expense of the Group amounted to RMB46.3 million, representing a decrease of RMB1.3 million as compared with 2024, among them, bank borrowing interest expense decreased by RMB5.9 million as compared with 2024, mainly due to lower interest rates of bank borrowing of the Group.

Management Discussion and Analysis

Investment Gains

Our investment gains consist of the share of investment losses/gains accounted for under the equity method and gains on disposal of long-term equity investments and investment gains in wealth management products. The table below sets forth the breakdown of our investment gains for the periods indicated:

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Share of investment losses/gains accounted for under the equity method	-1,464	-1,089
Gains on disposal of long-term equity investments	4,804	1,844
Investment gains in wealth management products	12	-
	<u>3,352</u>	<u>755</u>

During the Reporting Period, our investment gains amounted to RMB3.4 million.

Credit Impairment Losses

During the Reporting Period, credit impairment losses amounted to RMB6.6 million (2024: RMB26.5 million).

Asset Impairment Losses

During the Reporting Period, asset impairment losses amounted to RMB25.5 million (2024: RMB16.5 million), mainly including impairment loss of intangible assets of RMB14.0 million and impairment loss of goodwill of RMB11.5 million.

Management Discussion and Analysis

Non-Operating Income and Non-Operating Expenses

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Government grants	–	86
Donations received	267	47
Other non-operating income	1,054	1,396
Non-operating income	1,321	1,529
Losses on scrapping of non-current assets	1,373	1,117
Donation expenses	3,070	2,698
Expenses on medical disputes	1,191	2,669
Other non-operating expenses	11,303	2,299
Non-operating expenses	16,937	8,783

During the Reporting Period, the non-operating income of the Group amounted to RMB1.3 million, representing a decrease of RMB0.2 million as compared with 2024. During the Reporting Period, the non-operating expenses of the Group increased by RMB8.2 million as compared with 2024, mainly due to the decrease of RMB1.5 million in expenses on medical disputes as compared with 2024 and the increase of RMB9.0 million in other non-operating expenses as compared with 2024.

Income Tax Expense

During the Reporting Period, income tax expense amounted to RMB32.6 million (2024: RMB17.7 million), representing an increase of 84.3% as compared with 2024. The increase was mainly due to the fact that deferred tax assets were utilized to offset losses or reversed upon maturity. In 2025 and 2024, our effective tax rate was 47.1% and 26.0%, respectively.

Management Discussion and Analysis

Financial Position

Inventory

As of December 31, 2025, the balance of inventory amounted to RMB46.0 million (as of December 31, 2024: RMB50.6 million), mainly including the medical inventory and turnover materials.

Accounts Receivable

As of December 31, 2025, the balance of accounts receivable amounted to RMB462.9 million (as of December 31, 2024: RMB571.8 million), representing a decrease of 19.0% as compared with the balance as of December 31, 2024, mainly attributable to the decrease in the amount reserved in the year-end final accounts as a result of the increase in the daily pre-settlement amount due to the change in pre-settlement rules of the medical insurance plan.

During the Reporting Period, accounts receivable turnover days of the Group's business of owned hospitals were 58 days (2024: 54 days).

Other Receivables and Prepayments

As of December 31, 2025, other receivables and prepayments decreased to RMB93.6 million (as of December 31, 2024: RMB96.1 million).

Long-term Equity Investments

As of December 31, 2025, the balance of long-term equity investments amounted to RMB95.9 million (as of December 31, 2024: RMB99.4 million)

Other Non-current Financial Assets

As of December 31, 2025, the balance of other non-current financial assets amounted to RMB28.1 million (as of December 31, 2024: RMB36.8 million), representing the Group's investment in Chongqing Jinpu Medical & Health Service Industry Equity Investment Fund Partnership (Limited Liabilities Partnership)(重慶金浦醫療健康服務產業股權投資基金合夥企業(有限合夥)).

Fixed Assets

As of December 31, 2025, the balance of fixed assets amounted to RMB1,159.4 million (as of December 31, 2024: RMB889.5 million).

Management Discussion and Analysis

Construction in Progress

As of December 31, 2025, the balance of construction in progress amounted to RMB13.1 million (as of December 31, 2024: the balance of construction in progress amounted to RMB185.2 million). The decrease in construction in progress was mainly due to the transfer upon completion of the new construction projects of Lucheng Yining Hospital and Longquan Kangning Hospital.

Right-of-use Assets

As of December 31, 2025, right-of-use assets increased to RMB192.4 million (as of December 31, 2024: RMB161.8 million).

Intangible Assets

As of December 31, 2025, intangible assets decreased to RMB285.8 million (as of December 31, 2024: RMB291.5 million).

Goodwill

As of December 31, 2025, goodwill increased to RMB126.5 million (as of December 31, 2024: RMB114.2 million).

Long-term Prepaid Expenses

As of December 31, 2025, long-term prepaid expenses decreased to RMB121.6 million (as of December 31, 2024: RMB150.4 million), mainly attributable to the new decoration expenses of RMB9.7 million and the amortization of decoration costs of RMB38.0 million during the Reporting Period.

Deferred Tax Assets

As of December 31, 2025, deferred tax assets decreased to RMB55.3 million (as of December 31, 2024: RMB56.2 million).

Accounts Payable

As of December 31, 2025, accounts payable increased to RMB160.8 million (as of December 31, 2024: RMB131.9 million).

Receipts in Advance

As of December 31, 2025, receipts in advance and contract liabilities increased to RMB23.3 million (as of December 31, 2024: RMB21.3 million).

Other Payables

As of December 31, 2025, other payables increased to RMB91.9 million (as of December 31, 2024: RMB81.3 million).

Management Discussion and Analysis

Liquidity and Capital Resources

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

	For the year ended	
	December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	439,970	99,639
Net cash used in investing activities	-203,913	-172,055
Net cash generated from financing activities	-203,584	-76,917
Net increase in cash and cash equivalents	32,442	-149,491

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB440.0 million, primarily consisting of net profit attributable to the parent company of RMB54.4 million, adjustments of RMB32.0 million for credit impairment losses and asset impairment losses and adjustment of RMB160.8 million for depreciation and amortization of various assets. The cash inflow from change in working capital amounted to RMB165.0 million mainly due to the decrease in accounts receivable balances.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB203.9 million, primarily due to the amount of RMB189.5 million for purchasing property, plant and equipment, including, among others, the investments in the infrastructure of Longquan Kangning Hospital, Lucheng Yining Hospital and Linhai Cining Hospital.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB-203.6 million, of which the cash outflow from dividends distributed to shareholders was RMB34.5 million and the cash outflow from share repurchases used for cancellation was RMB22.4 million.

Management Discussion and Analysis

Significant Investment, Acquisition and Disposal

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

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

Indebtedness

Bank Borrowings

As of December 31, 2025, the balance of bank borrowings of the Group amounted to RMB989.2 million (as of December 31, 2024: RMB946.2 million), primarily attributable to repayment of borrowings of RMB400.6 million and an increase in borrowings of RMB443.6 million during the Reporting Period.

Contingent Liabilities

As of December 31, 2025, the Group did not have any contingent liability or guarantee that would have a material impact on the financial position or operation of the Group.

Asset Pledge

The Group's Wenzhou Kangning Hospital pledged real estate property with certificate number of Wenfang Quanzheng Lucheng District No. 826751, Wenfang Quanzheng Lucheng District No. 826750, Zhe (2016) Wenzhou Real Estate Rights No. 0010144, Zhe (2016) Wenzhou Real Estate Rights No. 0010142, Zhe (2021) Wenzhou Real Estate Rights No. 0081628, Wen Guo Yong (2015) No. 1-11836, and Wen Guo Yong (2015) No. 1-11833 to Minsheng Bank Wenzhou Longwan Sub-branch, and Zhe (2017) Cangnan County Real Estate Rights No. 0018361 to ICBC Bank Ouhai Sub-branch for obtaining bank loans. As of December 31, 2025, the balance of such pledged borrowings amounted to RMB385.2 million. Lucheng Yining Hospital pledged the real estate property with certificate number of Zhe (2020) Wenzhou Real Estate Rights No. 0068897 to BOCOM Wenzhou Commercial City Sub-branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB112.0 million. Jinyun Shuning Hospital pledged the real estate property with certificate number of Zhe (2022) Jinyun Real Estate Rights No. 0002503 and the buildings and other attachments on the ground with certificate number of Jian Zi No. 331122202000043 to Zhejiang Jinyun Rural Commercial Bank Wuyun Sub-branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB35.0 million. Quzhou Yining Hospital pledged the real estate property with certificate number of Zhe (2022) Quzhou Real Estate Rights No. 0045588 to China CITIC Bank Wenzhou Branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB57.8 million. Longquan Kangning Hospital pledged the real estate property with certificate number of Zhe (2023) Longquan Real Estate Rights No. 0004112 to China CITIC Bank Wenzhou Branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB60.0 million.

Management Discussion and Analysis

Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of December 31, 2025, the present value of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB36.4 million which is due within one year, was RMB148.5 million.

Financial Instruments

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

Exposure to Fluctuation in Exchange Rates

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

As of December 31, 2025, the Group did not use any derivative financial instruments to hedge against its exposure to exchange rate risk. The management of the Company manages the exchange rate risk by closely monitoring the movement of foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Gearing Ratio

As of December 31, 2025, the Group's gearing ratio (total liabilities divided by total assets) increased to 56.6% (as of December 31, 2024: 55.3%).

Employees and Remuneration Policy

As of December 31, 2025, the Group had a total of 5,354 full-time employees (as of December 31, 2024: 4,869 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB659.8 million (2024: RMB644.1 million). The average remuneration of our employees amounted to RMB126.9 thousand per year (including expenses on social insurance scheme and housing provident fund scheme borne by the Group). Remuneration of an employee is determined with reference to the salary level in the same industry and the qualifications, experience and performance of such employee.

Management Discussion and Analysis

Equity Incentive Scheme

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

Under the Equity Incentive Scheme, participants of the first actual grant comprised a total of 165 persons, with 1,818,529 incentive shares being granted. Participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares being granted. Participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons. As of the date of this annual report, participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 incentive shares proposed to be granted had been granted. The incentive shares granted accounted for 3.39% of the total issued share capital of the Company as of the date of this annual report, and were unlocked at one time after 48 months from the date of grant at the grant price of RMB10.47 per share.

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

Management Discussion and Analysis

The details of the Equity Incentive Scheme are as follows:

(1) *Purposes*

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

(2) *Scope of the Participants*

(a) *Scope of the Participants*

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

Participants shall include the Directors, Supervisors, senior management of the Group (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized, and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Equity Incentive Scheme at a general meeting. Under the Equity Incentive Scheme, there is no maximum limit on the awards that may be granted to each Participant under the Equity Incentive Scheme.

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

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

Management Discussion and Analysis

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

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

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

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

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

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

Participants are proposed to be granted up to 2,460,000 Shares under the Equity Incentive Scheme, representing 3.4944% of the total issued shares (excluding the H Shares repurchased by the Company but not yet cancelled) of the Company as at the date of this report, and accounting for 4.66% of the total number of non-tradable and non-listed Domestic Shares.

Management Discussion and Analysis

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

(a) Validity period of the Equity Incentive Scheme

The validity period of the Equity Incentive Scheme shall be 10 years from the date of approval at the annual general meeting for the year 2017 (i.e. April 26, 2018), unless it is terminated in accordance with the relevant provisions of the Equity Incentive Scheme. As of the date of this report, the remaining validity period of the Equity Incentive Scheme is approximately 2 years.

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

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

(c) Unlocking period arrangement of the Equity Incentive Scheme

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

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

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

Management Discussion and Analysis

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

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

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

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

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

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

Management Discussion and Analysis

During the year ended December 31, 2025, the changes in the Incentive Shares granted under the Equity Incentive Scheme were as follows:

Name/Category of Grantee	Date of Grant	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed	Incentive Shares
				Granted but not Vested as at January 1, 2025	Granted and Vested as at January 1, 2025		(Unlocked) during the Reporting Period		during the Reporting Period	Granted but not Vested as at December 31, 2025
<i>Director</i>										
Ms. WANG Lianyue	June 18, 2021	June 28, 2022	10.47	-	248,328	-	-	-	-	-
<i>Supervisor</i>										
Mr. XIE Tiefan	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
<i>Others</i>										
Mr. XU Yi (Spouse of Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	28,653	-	-	-	-	-
Ms. WANG Hongyue (Younger sister of Ms. WANG Lianyue)	June 18, 2021	June 28, 2022	10.47	-	95,511	-	-	-	-	-
Ms. WANG Biyu (Resigned) (Niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Ms. XU Qunyan (Resigned) (Younger sister of Mr. XU Yi)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Mr. GUAN Weilu (Younger brother of Mr. GUAN Weili)	June 18, 2021	June 28, 2022	10.47	-	19,102	-	-	-	-	-
Mr. SUN Fangjun (Resigned)	June 18, 2021	June 28, 2022	10.47	-	14,327	-	-	-	-	-
Mr. SUN Hongbo (Nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	30,563	-	-	-	-	-

Management Discussion and Analysis

Name/Category of Grantee	Date of Grant	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Incentive Shares
				Granted but not Vested as at January 1, 2025	Granted and Vested as at January 1, 2025		(Unlocked) during the Reporting Period			Granted but not Vested as at December 31, 2025
Ms. ZHANG Linghui (Resigned) (Sister-in-law of Mr. GUAN Weili)	June 18, 2021	June 18, 2022	10.47	-	4,776	-	-	-	-	-
Senior Management (Total)	August 20, 2018	June 28, 2022	10.47	-	133,715	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	47,755	-	-	-	-	-
Core Technical Personnel and Other Employees	August 20, 2018	June 28, 2022	10.47	-	1,605,540	-	-	-	-	-
	August 26, 2019	June 28, 2022	10.47	-	180,516	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	36,886	-	-	-	-	-
Total				-	2,460,000	-	-	-	-	-

As the Equity Incentive Scheme only involved the Domestic Shares of the Company, the closing price of the Shares immediately before the date on which the awards were granted is not applicable.

Management Discussion and Analysis

H Share Award and Trust Scheme

To attract, motivate and retain extensively skilled and experienced “core backbone members of the technicians and management” to continuously strive for the continuing operation and development of the Company in the future, in accordance with the requirements of the Company Law of the People’s Republic of China and other relevant laws, administrative regulations, regulatory documents and the Articles, the Company has formulated the H Share Award and Trust Scheme, which was considered and approved by the 2023 first extraordinary general meeting of the Company convened on September 27, 2023. Unless the context otherwise requires, capitalized terms used hereinafter shall have the same meanings as those defined in the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

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

Under the H Share Award and Trust Scheme, the selected participants (including connected persons) of the first actual grant comprised a total of 36 persons, with 364,100 award shares being granted. The selected participants (including connected persons) of the second phase of the actual grant comprised a total of 36 persons, with 616,000 incentive shares being granted. The selected participants (including connected persons) of the third phase of the actual grant comprised a total of 52 persons, with 335,000 award shares being granted. As of the date of this annual report, a total of 10 participants exited, corresponding to a total of 92,000 award shares. As of the date of this annual report, the selected participants of the actual grant under the H Share Award and Trust Scheme comprised 98 persons, and a total of 1,240,100 award shares had been granted while a total of 12,750 awarded shares were forfeited. The award shares granted accounted for approximately 1.7615% of the total issued share capital of the Company (excluding treasury shares) as of the date of this annual report. For details of the grant plan, please refer to the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

As at the beginning of the Reporting Period, 2,489,915 award shares were available for grant under the H Share Award and Trust Scheme, and as at the end of the Reporting Period, 2,502,665 award shares were available for grant under the H Share Award and Trust Scheme.

Management Discussion and Analysis

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

Purposes

- a) To attract, motivate and retain extensively skilled and experienced “core backbone members of the technicians and management” to continuously strive for the continuing operation and development of the Company in the future;
- b) To deepen the reform on the Company’s remuneration system, and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and
- c) To recognize the contributions of the management and long-term employees of the Company including the Directors; to encourage, motivate and retain the management and long-term employees of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Company; and to provide additional incentive for the management and long-term employees of the Company by aligning the interests of employees, management, Shareholders to that of the Company as a whole.

Participants

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

Management Discussion and Analysis

Scheme limit

The limit under the H Share Award and Trust Scheme is 3,730,015 H Shares, representing 5.2984% of the total issued shares (excluding the H Shares repurchased by the Company but not yet cancelled) of the Company as at the Latest Practicable Date.

Maximum entitlement of each Participant

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

Vesting period

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

Purchase price

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

Remaining validity period of the Scheme

The H Share Award and Trust Scheme shall be effective from the Adoption Date (i.e. September 27, 2023) with the period of validity for ten years. As of the Latest Practicable Date, the remaining validity period of the H Share Award and Trust Scheme is 7 years and 4 months.

Management Discussion and Analysis

During the year ended December 31, 2025, details of the award shares granted under the H Share Award and Trust Scheme and their movements were set out below:

Name/Category of Grantee	Date of Grant	Grant Price (RMB/Share)	Number of Shares Granted but not Vested as at January 1, 2025	Number of Shares Granted during the Reporting Period	Closing Price of Relevant Shares Immediately before the Date of Grant (HK\$/Share)	Fair Value of Relevant Shares on the Date of Grant during the Reporting Period ^(Note 1) (HK\$/Share)	Number of Shares Vested during the Reporting Period	Weighted Average Closing Price of Relevant Shares Immediately before the Date of Vesting during the Reporting Period (HK\$/Share)	Number of Shares Lapsed during the Reporting Period	Number of Shares Cancelled during the Reporting Period	Number of Shares Granted but not Vested as at December 31, 2025
<i>Directors</i>											
WANG Lianyue	April 23, 2024	0	99,300	-	-	-	24,825	9.90	-	-	74,475
	April 23, 2024	7	50,000	-	-	-	12,500	9.90	-	-	37,500
WANG Jian	April 23, 2024	0	59,100	-	-	-	14,775	9.90	-	-	44,325
	April 23, 2024	7	50,000	-	-	-	12,500	9.90	-	-	37,500
<i>Five Individuals with Highest Emoluments (Excluding Directors)</i>											
XU Xiaojun	April 23, 2024	7	30,000	-	-	-	7,500	9.90	-	-	22,500
XU Yi	April 12, 2024	0	57,500	-	-	-	14,375	9.94	-	-	43,125
	April 23, 2024	7	30,000	-	-	-	7,500	9.90	-	-	22,500
YE Minjie	April 12, 2024	0	21,000	-	-	-	5,250	9.94	-	-	15,750
<i>Other Employees (Excluding Directors and Five Individuals with Highest Emoluments)</i>											
Employees	April 12, 2024	0	126,200	-	-	-	31,550	9.94	-	-	94,650
	April 23, 2024	7	395,000	-	-	-	98,750	9.90	-	-	296,250
	June 18, 2024	7	322,000	-	-	-	80,500	9.76	-	-	241,500
Total	-	-	1,240,100	-	-	-	310,025	-	-	-	930,075

Management Discussion and Analysis

Note 1: For the accounting standards and policies adopted in determining the fair value of relevant shares on the date of grant during the Reporting Period, please refer to Note 12 Share-based payments to the financial statements.

Note 2: The vesting time and percentage under the H Share Award and Trust Scheme are set out in the table below:

Vesting Period	Vesting Time	Vesting Percentage
First vesting period	From the first trading day after the date of grant until the last trading day within 12 months following the date of grant	25%
Second vesting period	From the first trading day after the expiry of 12 months following the date of grant until the last trading day within 24 months following the date of grant	25%
Third vesting period	From the first trading day after the expiry of 24 months following the date of grant until the last trading day within 36 months following the date of grant	25%
Fourth vesting period	From the first trading day after the expiry of 36 months following the date of grant until the last trading day within 48 months following the date of grant	25%

Employee Training Program

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

Report of the Board

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2025.

Principal Activities

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

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

Business Review

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

Financial Highlights and Results

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2025 are set out in the “Financial Highlights” of this annual report. The Group’s financial results for the year ended December 31, 2025 are set out in the consolidated income statement of this annual report.

Investor Relations

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

Environmental Policies

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

Report of the Board

Compliance with Relevant Laws and Regulations

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

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

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

The Company and its employees have been exercising their best endeavours to strictly follow the applicable rules, laws and industry standards. The Directors are not aware of any breach of laws or regulations which have a significant impact on the Group in 2025 and as of the Latest Practicable Date.

Permitted Indemnity Provision

For the year ended December 31, 2025, the Group has no permitted indemnity provision.

Use of Proceeds from Initial Public Offering

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

Report of the Board

Proposed Final Dividend

The Board recommends the payment of the Proposed Final Dividend. Based on the total share capital (excluding the H Shares repurchased by the Company but not yet cancelled) before the record date determined by the implementation of the profit distribution plan for the final period of 2025 (as of the Latest Practicable Date, the total share capital of the Company is 72,358,900 shares, after deducting 1,959,800 H Shares repurchased by the Company but not yet cancelled, being 70,399,100 shares), a cash dividend of RMB3.2 (tax-inclusive) per 10 shares will be distributed to all shareholders. The total proposed cash dividend to be distributed is RMB22,572,712 (tax-inclusive), accounting for 41.4% of the net profit attributable to shareholders of the parent company in the consolidated statement during the reporting period (the total of the interim dividend in 2025 and the Proposed Final Dividend is RMB35,271,550, accounting for 64.8% of the net profit attributable to shareholders of the parent company in the consolidated statement during the reporting period). The Proposed Final Dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB, and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the Proposed Final Dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the Proposed Final Dividend (i.e. the date of convening the annual general meeting of the Company). The profit distribution plan for the final period of 2025 is subject to the consideration and approval at the annual general meeting of the Company.

Subject to the approval of the Proposed Final Dividend by the shareholders at the forthcoming annual general meeting, it is expected that the payment date of the Proposed Final Dividend will be no later than July 8, 2026. The Company will, in due course, announce the time of the closure of the register of transfer of H shares for the purpose of determining the list of shareholders entitled to qualify for the Proposed Final Dividend.

As of December 31, 2025, none of the Shareholders has waived or agreed to waive any dividends.

Tax Reduction or Exemption

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation regulations which came into effect on January 1, 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change their Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the record date.

Report of the Board

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

Share Capital

Details of the movements in the share capital of the Company during the Reporting Period are set out in “Note 5 to the Financial Statements – note (35) to the consolidated financial statements” of this annual report.

Reserves

Details of movements in the reserves of the Group during the Reporting Period are set out in the “Consolidated Statement of Changes in Owners’ Equity and Note 5 to the Financial Statements – notes (36), (38) and (39) to the consolidated financial statements” of this annual report.

Distributable Reserves

As of December 31, 2025, the distributable reserves of the Group were RMB364.2 million.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in “Note 5 to the Financial Statements – note (12) to the consolidated financial statements” of this annual report.

Report of the Board

Major Customers and Suppliers

For the year ended December 31, 2025, the Group's largest customer and five largest customers aggregately contributed to 2.0% and 4.1%, respectively, of the Group's total revenue. For the year ended December 31, 2025, the Group's five largest customers contributed to less than 30% of the Group's total revenue for the year. The major customers of the Group are the patients of our owned hospitals. Due to the uniqueness of the business and high liquidity of patients of medical business, our Company has no reliance on large customers.

For the year ended December 31, 2025, the total purchase of the Group's largest supplier and five largest suppliers aggregately accounted for 8.1% and 32.5%, respectively, of the Group's total purchases of pharmaceutical products, medical consumables and construction and renovation services.

None of the Directors, the Supervisors or any of their respective close associates (as defined under the Hong Kong Listing Rules), or any Shareholders, which to the knowledge of the Directors, owning more than 5% of the Company's issued share capital (excluding treasury shares) has any interests in the Group's five largest customers or suppliers for the year ended December 31, 2025.

Securities Issuance

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

Debentures in Issue

For the year ended December 31, 2025, the Group did not issue any debentures.

Equity-linked Agreements

For the year ended December 31, 2025, no equity-linked agreements were entered into by the Group, or existed.

Donations

For the year ended December 31, 2025, the charitable contributions and other donations made by the Group amounted to approximately RMB3.1 million in aggregate.

Subsidiaries

Details of the Company's principal subsidiaries as of December 31, 2025 are set out in "Notes to the Financial Statements – Equity in other entities – Equity in subsidiaries – Structure of the enterprise Group" of this annual report.

Report of the Board

Directors

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

Executive Directors

Mr. GUAN Weili (*Chairman*)
Ms. WANG Lianyue
Mr. WANG Jian

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Ms. JIN Ling
Mr. CHAN Sai Keung Hugo

Supervisors

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

Mr. XU Ning (*Chairman*)
Mr. XU Yongjiu
Mr. XIE Tiefan
Mr. QIAN Chengliang
Mr. FANG Wei

Report of the Board

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2025, please refer to the sections of “Financial Highlights” and “Management Discussion and Analysis” in this annual report.

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

Save as disclosed in “Report of the Board – Connected Transaction” and “Notes to the Financial Statements – Related parties and related-party transactions” of this annual report, no transaction, arrangement or contracts of significance to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries, was a party and in which a Director or a Supervisor, or any entity connected with any Director or Supervisor, had a material interest, whether directly or indirectly, subsisted as of December 31, 2025 or at any time during the Reporting Period.

Controlling Shareholders’ Interests in Contracts of Significance

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

Management Contracts

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

Report of the Board

Non-competition Agreement

Pursuant to the Non-competition Agreement, each of the Controlling Shareholders has agreed not to, and to procure that his/her respective close associate(s) (as appropriate) (other than the Group) not to, either directly or indirectly, compete with the Group's principal business (which is primarily to provide psychiatric specialty services and elderly medical services through hospitals) and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights. During the period from the date of the Non-competition Agreement to December 31, 2025, the Company did not receive any Offer Notice (as defined under the section headed "Relationship with our Controlling Shareholders" in the Prospectus) from the Controlling Shareholders.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Noncompetition Agreement for the year ended December 31, 2025 for disclosure in this annual report. The independent non-executive Directors have also reviewed the Controlling Shareholders' compliance with the Non-competition Agreement for the year ended December 31, 2025.

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

Particulars of the Directors' and the chief executives' emoluments and five highest paid individuals for the year ended December 31, 2025 are set out in "Notes to the Financial Statements – Related parties and related-party transactions" of this annual report. The remuneration policy of the Company is set out in the section headed "Corporate Governance Report" of this annual report.

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

Directors' Interests in Competing Business

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

Report of the Board

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

As of December 31, 2025, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under section 352 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name	Class of Shares	Nature of Interest	Number of Shares	Total Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Mr. GUAN Weili ⁽²⁾	Domestic Shares	Beneficial owner	18,350,250(L)	27,330,100(L)	51.80%	37.77%
		Interest of spouse	3,194,500(L)			
		Interest held jointly with another person	5,785,350(L)			
	H Shares	Interest of spouse	149,300(L)	458,300(L)	2.34%	0.63%
		Interest held jointly with another person	309,000(L)			
Ms. WANG Lianyue ⁽²⁾	Domestic Shares	Beneficial owner	3,194,500(L)	27,330,100(L)	51.80%	37.77%
		Interest of spouse	18,350,250(L)			
		Interest held jointly with another person	5,785,350(L)			
	H Shares	Beneficial owner	149,300(L)	458,300(L)	2.34%	0.63%
		Interest held jointly with another person	309,000(L)			
Mr. WANG Jian	Domestic Shares	Beneficial owner	100,000(L)	100,000(L)	0.19%	0.14%
	H Shares	Beneficial owner	209,100(L)	209,100(L)	1.07%	0.29%
Mr. XU Yongjiu ⁽³⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	4,540,000(L)	8.61%	6.27%

Notes:

(L): Long position

- (1) The shareholding percentages are calculated on the basis of 52,760,000 Domestic Shares and 19,598,900 H Shares (an aggregate of 72,358,900 Shares) issued by the Company as at December 31, 2025.
- (2) Mr. GUAN Weili is the spouse of Ms. WANG Lianyue and therefore, Mr. GUAN Weili is deemed to be interested in the Shares held by Ms. WANG Lianyue, and Ms. WANG Lianyue is deemed to be interested in the Shares held by Mr. GUAN Weili by virtue of Part XV of the SFO. Mr. Guan Weili, Ms. Wang Lianyue and Ms. Wang Hongyue (the younger sister of Ms. Wang Lianyue) are deemed to be acting in concert and are therefore deemed to be jointly interested in 27,330,100 Domestic Shares and 458,300 H Shares of the Company.
- (3) Mr. XU Yongjiu holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合伙)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合伙)) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, Mr. XU Yongjiu is deemed to be interested in all the Domestic Shares held by the above partnerships in the Company.

Report of the Board

Save as disclosed above, as at December 31, 2025, to the knowledge of the Board, none of the Directors, the Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) or recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at December 31, 2025, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities (other than the Directors, the Supervisors or chief executives of the Company) had an interest or short position which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Central Enterprises Rural Industry Investment Fund Co., Ltd. (中央企業鄉村產業投資基金股份有限公司)	Domestic Shares	Beneficial owner	7,466,666(L)	14.15%	10.32%
Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥) ⁽²⁾)	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.61%	6.27%
FAN Yin ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.61%	6.27%
SUN Jian ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.61%	6.27%
Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.61%	6.27%
Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,540,000(L)	8.61%	6.27%
XU Yi ⁽⁶⁾	Domestic Shares	Interest of spouse	27,330,100(L)	51.80%	37.77%
	H Shares	Interest of spouse	458,300(L)	2.34%	0.63%
Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,519,003(L)	8.57%	6.25%

Report of the Board

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥) ⁽³⁾)	Domestic Shares	Interest in a controlled corporation	4,519,003(L)	8.57%	6.25%
LIN Lijun	Domestic Shares	Interest in a controlled corporation	5,846,364(L)	11.08%	8.08%
Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shenge Investment Management Co., Ltd) ⁽⁴⁾	Domestic Shares	Interest in a controlled corporation	5,846,364(L)	11.08%	8.08%
Wind Information Co., Ltd. (萬得信息技術股份有限公司)	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.32%	4.61%
Shanghai Hehuayuan Enterprise Management Center (Limited Partnership) (上海荷花緣企業管理中心(有限合夥))	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.32%	4.61%
Wind Impact Equity Investment (Jiaxing) Partnership (Limited Partnership) (萬得影響力股權投資(嘉興)合夥企業(有限合夥)) (“Wind Investment”)	Domestic Shares	Beneficial owner	3,333,000(L)	6.32%	4.61%
CITIC Securities Investment Co., Ltd. (中信証券投資有限公司)	Domestic Shares	Beneficial owner	2,780,000(L)	5.27%	3.84%
CITIC Securities Company Limited (中信証券股份有限公司) ⁽⁵⁾	Domestic Shares	Interest in a controlled corporation	2,780,000(L)	5.27%	3.84%
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000(L)	7.42%	2.01%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900(L)	10.97%	2.97%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900(L)	6.53%	1.77%
OrbiMed Partners II, L.P.	H Shares	Beneficial owner	1,052,000(L)	5.37%	1.45%
UBS Group AG	H Shares	Interest in a controlled corporation	1,029,400(L)	5.25%	1.42%
ZOU Haili (鄒海麗)	H Shares	Beneficial owner	1,680,000(L)	8.57%	2.32%
Ms. WANG Hongyue ⁽⁶⁾	Domestic Shares	Beneficial owner	5,785,350(L)	10.97%	8.00%
		Interest held jointly with another person	21,544,750(L)	40.84%	29.77%
	H Shares	Beneficial owner	309,000(L)	1.58%	0.43%
		Interest held jointly with another person	149,300(L)	0.76%	0.21%
Kangning Success Holding Limited	H Shares	Beneficial owner	3,347,975(L)	17.08%	4.63%
Trident Trust Company (HK) Limited	H Shares	Trustee	3,347,975(L)	17.08%	4.63%

Report of the Board

Notes:

(L): Long position

- (1) The shareholding percentages are calculated on the basis of 52,760,000 Domestic Shares and 19,598,900 H Shares (an aggregate of 72,358,900 Shares) issued by the Company as of December 31, 2025.
- (2) FAN Yin holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). SUN Jian holds 33.94% equity interest in Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, FAN Yin, Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)), SUN Jian and Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) were deemed to be interested in all the Domestic Shares held by Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)) in the Company.
- (3) Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) holds 99.99% equity interest in Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) is deemed to be interested in all the Domestic Shares held by Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (4) Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shenge Investment Management Co., Ltd (上海盛歌投資管理有限公司)) is a general partner of Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Loyal Valley Investment Management Co., Limited is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) (which directly holds 1,987,356 Domestic Shares of the Company) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (5) CITIC Securities Investment Co., Ltd.. (中信証券投資有限公司) is wholly held by CITIC Securities Company Limited (中信証券股份有限公司). Therefore, CITIC Securities Company Limited (中信証券股份有限公司) is deemed to be interested in the Domestic Shares held by CITIC Securities Investment Co., Ltd. (中信証券投資有限公司) in the Company by virtue of Part XV of the SFO.
- (6) Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue (the younger sister of Ms. WANG Lianyue) are deemed to be acting in concert and are therefore deemed to be interested in 27,330,100 domestic shares and 458,300 H shares of the Company. Mr. XU Yi is the spouse of Ms. WANG Hongyue and is therefore deemed, under Part XV of the SFO, to be interested in the shares of the Company held by Ms. WANG Hongyue.

Save as disclosed above, as at December 31, 2025, to the knowledge of the Directors, no other person (other than a Director, a Supervisor or chief executive of the Company) had, or was deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Report of the Board

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

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

Connected Transaction

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

Purchase, Sale or Redemption of Listed Securities

During the reporting period, as share buybacks can enhance the net asset value per share and/or earnings per share, which is in the overall interests of the Company's shareholders, the Company repurchased a total of 2,270,900 shares (the “Repurchased Shares”) at the Hong Kong Stock Exchange at a total consideration of HK\$24,515,933.18. The details of the repurchased shares are as follows:

Month of Repurchase	Number of Shares Repurchased	Price Paid per Share		Total Consideration (Before Deducting Expenses) (Hong Kong Dollars)
		Highest Price (Hong Kong Dollars)	Lowest Price (Hong Kong Dollars)	
March 2025	3,000	9.03	9.03	27,090.00
April 2025	308,100	11.50	10.22	3,487,806.50
August 2025	967,600	10.60	9.10	9,978,407.42
September 2025	591,200	11.49	10.40	6,476,694.99
October 2025	95,800	11.36	10.59	1,065,137.07
November 2025	275,000	11.70	10.92	3,143,627.20
December 2025	30,200	11.20	10.90	337,170.00
Total	2,270,900			24,515,933.18

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

As at December 31, 2025, the Group did not hold any treasury shares.

Report of the Board

Pre-emptive Rights

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

Bank Borrowings

Details of the bank borrowings of the Group as of December 31, 2025 are set out in “Note 5 to the Financial Statements – notes (21), (31) and (32) to the consolidated financial statements” of this annual report.

Asset Pledge

Details of the asset pledge of the Group as of December 31, 2025 are set out in “Note V (20) to the Financial Statements – Assets with restricted ownership or use” of this annual report.

Corporate Governance

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the Latest Practicable Date, the public float of the Company is approximately 24.11%, which falls below the requirement of Rule 8.08 and Rule 19A.28B of the Hong Kong Listing Rules that at least 25% (the “Minimum Prescribed Percentage”) of the total issued shares of the Company must be held by the public.

Reference is made to the announcements of the Company dated February 5, 2026, March 2, 2026 and April 9, 2026 in relation to the insufficiency of the public float of the Company.

The Company has submitted an application to the CSRC as at August 21, 2025 in respect of the conversion of 9,286,359 domestic Shares into H Shares of the Company (the “Full Circulation of Shares”). Upon completion of the Full Circulation of Shares, the number of H Shares of the Company held by the public will increase by 9,286,359 shares. Therefore, the H Shares of the Company held by the public following the completion of the Full Circulation of Shares will be 26,258,059 shares in aggregate, representing approximately 37.30% of the Company’s total issued Shares (deducting 1,959,800 H Shares that have been repurchased but not yet cancelled) as at the Latest Practicable Date. The Company will then meet the Minimum Prescribed Percentage. The Company has been in active communication with the CSRC regarding the Full

Report of the Board

Circulation of Shares since February 2026, and originally expected that the CSRC would complete the relevant filing for the Full Circulation of Shares within March 2026. However, according to further communication between the Company and the CSRC recently, the CSRC indicated that, due to a significant increase in its workload during the recent period, it is currently unable to provide a clear timeline for the completion of the relevant filing for the Full Circulation of Shares. The Company will continue to maintain close communication with the CSRC regarding the above matter and will restore the minimum public float required under the Hong Kong Listing Rules as soon as practicable.

The Company will continue to monitor the issue of insufficient public float and will make monthly announcements in accordance with the Hong Kong Listing Rules to keep Shareholders and the market informed of the progress made in restoring the public float. The Company will not undertake any actions that may further reduce its percentage of public float.

Important Events after the Reporting Period

The important events after the Reporting Period are set out in “Notes 14 to the Financial Statements – Post-balance sheet events” of this annual report.

Audit Committee

The Audit Committee of the Board of Directors of the Company has reviewed the Company’s and the Group’s 2025 annual results, and the audited consolidated financial statements for 2025 prepared in accordance with the China Accounting Standards for Business Enterprises.

Auditor

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

The Company has not changed its auditor in the past three years.

For and on behalf of the Board
GUAN Weili
Chairman

Zhejiang, the PRC
April 27, 2026

Report of the Supervisory Committee

To the Shareholders:

In 2025, in strict accordance with the relevant provisions of the Company Law of the People's Republic of China, the company's articles of association, the rules of procedure of the board of supervisors, etc., the board of supervisors adhered to the principle of due diligence and fully fulfilled all its legal powers and obligations, and continuously strengthened its supervisory function. In 2025, the board of supervisors focused on aspects such as the standardization and operational efficiency of the company's governance system, the compliance and rationality of major decisions and business activities, and the strategic and scientific nature of the decisions made by the board of directors and the senior management team. It carried out full-process supervision to effectively protect the legitimate rights and interests of the company and all shareholders.

In 2025, the board of supervisors carried out in-depth supervision of key areas such as the implementation of the company's strategic plan, expansion of core businesses in mental healthcare and elderly care, major investment projects, risk prevention and control mechanisms, and connected transaction management by regularly reviewing business plans, conducting special investigations into financial activities, attending important decision-making meetings as non-voting participants, and conducting internal control assessments and risk identification, and then timely identified potential compliance risks and put forward rectification recommendations.

The board of supervisors believes that: During this year, the company's governance structure has been continuously optimized, and the internal control system has been further improved. The management has strictly implemented the resolutions of the general meeting of shareholders and the board of directors, and has achieved remarkable results in areas such as compliant operation, risk management, information disclosure, and investor relations management. The financial report truthfully, accurately, and completely reflects the company's business performance and financial position. Necessary approval procedures and information disclosure requirements have been carried out for major related-party transactions. No situations that harm the interests of shareholders have been found.

In 2026, the board of supervisors will focus on strengthening the following tasks: Firstly, deepen the risk-oriented supervision model, improve the dynamic monitoring mechanism, and pay special attention to the compliance of medical services, regulatory requirements for medical insurance, data security and patient privacy protection, enhancing risk early warning and response capabilities; Secondly, strengthen the coordinated linkage with independent directors and audit institutions, and establish regularised communication and joint inspection mechanisms to create a concerted supervisory effort, improving the efficiency of supervision; Thirdly, continuously promote the professional capacity building of supervisors. Through healthcare industry compliance-focused training, seminars on listing regulatory rules, reviews of representative cases and other means, enhance the forward-looking and accuracy of supervision work, and provide a solid guarantee for the high-quality development of the company.

For and on behalf of the Supervisory Committee

XU Ning

Chairman

Zhejiang, the PRC

April 27, 2026

Corporate Governance Report

Corporate Culture

The Group takes psychiatric specialties and elderly medical services as its two driving forces. Through a chain operation model that combines online and offline services, it has established a diagnosis and treatment service network that “has a foothold in Wenzhou, conducts in-depth operations in Zhejiang, and radiates across the country”, and is committed to becoming a practitioner of the “Healthy China” initiative.

Values

Respect Life • Serve with Humility

We advocate the equality and preciousness of all lives. We respect the uniqueness and sanctity of life and regard it as the supreme value. Respect is an awe deeply rooted in our hearts and an inner reverence for life. Humility is a kind of love and a conscious act and speech that protect life in practice.

Vision

A Professional Guardian of Mental Health

We are determined to become an outstanding leader in the field of mental health. With professional knowledge and skills, we will wholeheartedly safeguard the mental health of the public and escort the development of a harmonious society.

Mission

Provide Dignified Medical Care for Patients with Mental Disorders

Providing dignified medical care for patients with mental disorders is not only the value of our existence but also our responsibility and obligation. We will adhere to a patient-centered approach, provide medical care that reflects human dignity, professional competence, humanity, and a high level of quality, so that every patient can feel respected and cared for.

Corporate Governance Report

The Board

Board Composition

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

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

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

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

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

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

Corporate Governance Report

Role and Function of and Delegation by the Board

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

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

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

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

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

Chairman and Chief Executives

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

Relationship between Directors and Chief Executives

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

Role and Function of the Senior Management

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

Corporate Governance Report

Changes of Directors, Supervisors and Chief Executives

On 22 May 2025, Ms. ZHANG Yue resigned from her position as a Supervisor of the Company due to personal matters and other work arrangements. On 30 June 2025, the Company convened the 2024 annual general meeting at which the proposed election of Mr. FANG Wei as a Supervisor was considered and approved. The term of office of Mr. FANG Wei shall commence from the date of approval at the annual general meeting and continue until the expiry of the term of the fourth session of the Supervisory Committee, and he shall be eligible for re-election upon expiry of his term.

For further details, please refer to the announcements of the Company dated 22 May 2025 and 30 June 2025.

Save as disclosed above, at the Latest Practicable Date, there have not been changes in Directors, Supervisors or senior management of the Company.

Change in Directors', Supervisors' and Chief Executive's Biographical Details

Set out below are the changes in the Directors', the Supervisors' and the chief executive's biographical details during the Reporting Period and up to the Latest Practicable Date, which are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules:

Name	Members of the Group	Positions held at members of the Group	Term of office
GUAN Weili	Yongjia Kangning Hospital Co., Ltd.	Executive Director	From December 2012 to September 2025
	Yongjia Kangning Hospital Co., Ltd.	Director	From September 2025 to present
WANG Lianyue	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Executive Director, Manager	From May 2024 to November 2025
	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Chairman, Manager	From November 2025 to present
WANG Jian	Zhejiang Jerinte Health Technology Co., Ltd.	Chairman	From September 2025 to present
	Hangzhou Yining Hospital Co., Ltd.	Director	From May 2025 to present
	Wenzhou Deci Care Service Co., Ltd.	Director	From September 2025 to present
	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Director	From November 2025 to present
XU Yi	Yining Internet Hospital (Wenzhou) Co., Ltd.	Executive Director, General Manager	From March 2020 to February 2025
	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Director	From November 2025 to present
JIN Weiguang	Pingyang Changgeng Yining Hospital Co., Ltd.	Executive Director	From September 2021 to January 2025
	Pingyang Changgeng Yining Hospital Co., Ltd.	Director	From February 2025 to present

Corporate Governance Report

Save as disclosed above, the Company is not aware of other changes in the Directors', the Supervisors' or the chief executive's biographical details which are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

Induction of and Continuous Professional Development for Directors

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

During the Reporting Period, all Directors of the Company, namely Mr. GUAN Weili, Ms. WANG Lianyue, Mr. WANG Jian, Mr. QIN Hao, Mr. LI Changhao, Ms. ZHONG Wentang, Ms. JIN Ling and Mr. CHAN Sai Keung Hugo had read through a number of written materials with regard to Director's duties and responsibilities.

Compliance with the Model Code

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

Corporate Governance

The Company is aware of the value and importance of enhancing corporate governance standards and will strive to achieve this goal. The Company has adopted the principles set out in the Corporate Governance Code as its own corporate governance code. The directors are of the opinion that, except for the circumstances disclosed in this report, the Company has complied with all the code provisions set out in the Corporate Governance Code during the reporting period and up to the date of this annual report. The Company will continue to review and strengthen its corporate governance practices to ensure compliance with the Corporate Governance Code.

Corporate Governance Report

Service Contracts of the Directors and Supervisors

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

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

Accounting Standards

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

Accounting Policies

Accounting Policies

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

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

Changes of Significant Accounting Policies

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

Attendance at Board Meetings and General Meetings

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

Corporate Governance Report

During the Reporting Period, the Company held 9 Board meetings and the attendance of the Directors at the Board meetings was as follows:

Name of Directors	Number of Board meetings convened/attended
Executive Directors	
Mr. GUAN Weili (<i>Chairman</i>)	9/9
Ms. WANG Lianyue	9/9
Mr. WANG Jian	9/9
Non-executive Directors	
Mr. QIN Hao	9/9
Mr. LI Changhao	9/9
Independent non-executive Directors	
Ms. ZHONG Wentang	9/9
Ms. JIN Ling	9/9
Mr. CHAN Sai Keung Hugo	9/9

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

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

Corporate Governance Report

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

Name of Directors	Number of general meetings convened/attended
Executive Directors	
Mr. GUAN Weili (<i>Chairman</i>)	2/2
Ms. WANG Lianyue	2/2
Mr. WANG Jian	2/2
Non-executive Directors	
Mr. QIN Hao	2/2
Mr. LI Changhao	2/2
Independent non-executive Directors	
Ms. ZHONG Wentang	2/2
Ms. JIN Ling	2/2
Mr. CHAN Sai Keung Hugo	2/2

Board Committees

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

Corporate Governance Report

Audit Committee

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

As of the date of this report, the Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (chairman of the Audit Committee) and Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao. Four meetings of the Audit Committee were held during the Reporting Period to, among other matters, review the annual results for the year 2024 and interim results for the year 2025 of the Group.

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

Directors	Number of meetings convened/attended
Ms. ZHONG Wentang (<i>Chairman</i>)	4/4
Ms. JIN Ling	4/4
Mr. LI Changhao	4/4

Corporate Governance Report

Nomination Committee

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

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

As of the date of this report, the Nomination Committee consists of two independent non-executive Directors, Mr. CHAN Sai Keung Hugo (chairman), Ms. JIN Ling, and one executive Director, Mr. GUAN Weili. During the Reporting Period, one meeting of the Nomination Committee was held to consider and evaluate proposals including the structure of the respective committees under the Board.

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

Directors	Number of meetings convened/attended
Mr. CHAN Sai Keung Hugo (<i>Chairman</i>)	1/1
Mr. GUAN Weili	1/1
Ms. JIN Ling	1/1

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

Corporate Governance Report

Remuneration Committee

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

As of the date of this report, the Remuneration Committee comprises three independent non-executive Directors, Ms. JIN Ling (chairman), Ms. ZHONG Wentang and Mr. CHAN Sai Keung Hugo. The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) of the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Directors and senior management). One meeting of the Remuneration Committee was held during the Reporting Period to, among other matters, review the report of the general manager of the Company for the year 2024.

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

Directors	Number of meetings convened/attended
Ms. JIN Ling (<i>Chairman</i>)	1/1
Ms. ZHONG Wentang	1/1
Mr. CHAN Sai Keung Hugo	1/1

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

The emoluments of each Director for the year ended December 31, 2025 are set out in "Notes to the Financial Statements – Related parties and related party transactions" of this annual report.

Corporate Governance Report

Strategy and Risk Management Committee

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

As of the date of this report, the Strategy and Risk Management Committee consists of one executive Director, Mr. GUAN Weili (chairman), one non-executive Director, Mr. QIN Hao, and one independent non-executive Director, Ms. ZHONG Wentang. One meeting of the Strategy and Risk Management Committee was held during the Reporting Period to, among other things, review the report on internal control and risk management of the Group for the year 2024 and make recommendations to the Board. The Strategy and Risk Management Committee has conducted an annual review regarding internal controls and confirmed the effectiveness of the Group's internal control system in the internal control and risk management report.

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

Directors	Number of meetings convened/attended
Mr. GUAN Weili (<i>Chairman</i>)	1/1
Ms. ZHONG Wentang	1/1
Mr. QIN Hao	1/1

Board Diversity Policy

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

Corporate Governance Report

The Current Composition of the Board

Age	Gender	Years of service as Director
30 – 49 years (4 persons)	Female (37.5%)	1 – 5 years (6 persons)
50 and above (4 persons)	Male (62.5%)	6 – 10 years (2 persons)

The Board currently comprises 3 female Directors and 5 male Directors. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board. The Nomination Committee and the Board considered that, during the year ended December 31, 2025, the composition of the Board was balanced and diversified, and therefore did not set any measurable objectives for the implementation of the board diversity policy.

Gender Diversity in the Workforce

As at December 31, 2025, the Group had a total of 5,354 employees (including senior management), of which 67.0% were female employees and 33.0% were male employees. The gender structure of the staff of the Group is reasonable and the Board considers that gender diversity is achieved in all levels of staff (including senior management) of the Group, and therefore did not set any measurable objectives for gender diversity among employees. The Group has formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of “fairness, impartiality and openness” in considering the academic qualifications, working experience and skills of the applicants to assess whether they have met the requirements of the employment positions. During the Reporting Period, the Board was not aware of any factors and circumstances that would make it more challenging or less relevant to achieve gender diversity among all employees, including senior management.

Corporate Governance Functions

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

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

Corporate Governance Report

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

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2025, which truthfully and objectively reflected the status of the Company and the Group and of the Group's results and cash flows. The Directors also acknowledge their responsibilities are to ensure that the consolidated financial statements of the Group are published in a timely manner. The management of the Company has provided to the Board the necessary explanation and information so as to enable the Board to carry out an informed assessment of the Company's consolidated financial statements that are submitted to the Board for approval. The Company provides all members of the Board with the latest materials in relation to the Company's results, status and prospects.

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

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

Risk Management and Internal Control

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

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

Corporate Governance Report

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

The Board reviews the effectiveness of the Group's risk management and internal control system once per year. Upon receipt of the confirmation from the Audit Committee and the management, the Board believes that the risk management and internal control system of the Group was sufficient during the year ended December 31, 2025, and that there were no matters of major concerns relating to financial, operational or compliance controls. During the Reporting Period, the Group did not implement any material changes to the risk management and internal control system.

Senior Management's Remuneration

The details of the Company's senior management are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, whose remuneration band for the year ended December 31, 2025 is as below:

Remuneration band (RMB)	Number of individuals
0-700,000	6 persons
700,001-1,400,000	10 persons

Auditor's Remuneration

For the year ended December 31, 2025, the Group's statutory auditor, BDO, provided annual audit services. During the year ended December 31, 2025, the total fee paid/payable in respect of the audit and non-audit services provided by the Group's auditor is set out below:

Audit services	RMB2,501,600
Non-audit services (mainly to provide the Company with the service of reviewing the semi-annual financial report for 2025)	RMB381,600

Corporate Governance Report

Joint Company Secretaries

Mr. WANG Jian and Mr. WONG Wai Chiu serve as the joint company secretaries of the Company. Mr. WONG Wai Chiu is a joint director of Fangyuan Corporate Services Group (Hong Kong) Limited, a professional corporate service provider. The main contact person of Mr. WONG Wai Chiu in the Company is Mr. WANG Jian (Secretary of the Board of Directors and the other joint company secretary).

During the Reporting Period, they have received no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Hong Kong Listing Rules.

Communication with Shareholders and Investor Relations

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

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

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

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

Corporate Governance Report

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

Shareholders' Rights

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

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

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

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

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

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

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

Corporate Governance Report

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

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

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

Address:

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

Fax: (86) 577 8878 9117

Email: ir@knhosp.cn

Procedures for Directing Shareholders' Enquiries to the Board

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

Address:

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

Fax: (86) 577 8878 9117

Email: ir@knhosp.cn

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

Corporate Governance Report

Change in Constitutional Documents

During the Reporting Period, the Company amended its Articles once. It was considered and approved by way of special resolutions at the 2024 annual general meeting, the first H shareholders' class meeting for the year 2025 and the first domestic shareholders' class meeting for the year 2025 of the Company held on June 30, 2025. In light of the Guidelines for the Articles of Association of Listed Companies (2025), the Company Law of the People's Republic of China (2023 Revision), the Decision of the State Council to Repeal Certain Administrative Regulations and Documents of the State Council, the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises and relevant guidelines, Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers and other regulations and the Hong Kong Stock Exchange has recently made certain amendments to the Hong Kong Listing Rules, the Company amended its Articles according to the above mentioned applicable PRC laws and regulations and the Hong Kong Listing Rules and taking into account the actual situation of the Company. The amended Articles became effective on June 30, 2025 after being considered and approved at the 2024 annual general meeting, the first H shareholders' class meeting for the year 2025 and the first domestic shareholders' class meeting for the year 2025, and have been published on the websites of the Hong Kong Stock Exchange and the Company. For details of the amendments, please refer to the announcements of the Company dated May 28, 2025 and June 30, 2025.

Dividend Policy

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

Corporate Governance Report

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

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

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

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

Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. GUAN Weili (管偉立), aged 56, is the chairman of the Board and an executive Director of the Company. He is primarily responsible for the overall business operation and strategic planning of the Company. He founded the Company in February 1996 and became an executive Director since then. Mr. Guan was appointed as chairman of the Board and an executive Director in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, Mr. Guan served as a clinician at Wenzhou Mental Hospital (溫州市精神病院), a local hospital in Wenzhou, from August 1987 to December 1993, where he was primarily responsible for the medical treatment of psychiatric patients.

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

Ms. WANG Lianyue (王蓮月), aged 57, is the executive Director and general manager of the Company. She is primarily responsible for the overall hospital operation and business development of the Company. She joined the Company in January 1998 and has served as our general manager since September 2011 and our executive Director since April 2013. Ms. Wang was appointed as our executive Director again in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from August 1988 to December 1997, she was a nurse at Wenzhou Mental Hospital (溫州市精神病院), where she was primarily responsible for general patient care.

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

Directors, Supervisors and Senior Management

Mr. WANG Jian (王健), aged 41, is the executive Director, the vice general manager and the secretary to the Board of the Company. He is primarily responsible for overseeing public affairs and investment relationship, corporate financing and listing-related matters. Mr. Wang joined the Company in July 2014 and has served as the secretary to the Board of the Company since then. Mr. Wang was appointed as the secretary to the Board of the Company again in September 2014 after the Company was converted into a joint stock limited liability company. Mr. Wang was appointed as the executive Director and the vice general manager of the Company in June 2023. Prior to joining the Company, from June 2009 to July 2014, he served as a staff member (科員) and a senior staff member (副主任科員) in the Xiamen Regulatory Bureau of China Securities Regulatory Commission (中國證券監督管理委員會廈門監管局) where he was primarily responsible for monitoring the corporate governance and information disclosure of listed companies in the Xiamen area. From February 2008 to March 2009, he was a senior auditor at Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), where he was primarily responsible for audit work. From August 2005 to February 2008, he served as an auditor and senior auditor at PricewaterhouseCoopers Zhongtian Certified Public Accountants Limited, mainly responsible for audit work.

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

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. QIN Hao (秦浩), aged 35, joined the Group in June 2021. He has served as a vice president of investment of Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司), a private equity investment company mainly invests in the fields of new consumption, healthcare and advanced manufacturing, is mainly responsible for the investment in pharmaceutical and healthcare industry, since January 2022. He served as a senior investment manager of Shanghai Loyal Valley Investment Management Co., Limited from June 2017 to December 2021.

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

Mr. LI Changhao (李昌浩), aged 35, joined the Group in October 2021. He has served as the vice president of the investment team of SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) since January 2022, mainly responsible for the investment in private equity projects. Mr. Li has served as a director of China Travel Guangxi Detian Waterfall Tourism Development Co., Ltd., a company engaged in the development of tourist attractions since May 2019. He consecutively served as the investment manager and the vice president of SDIC Chuangyi Industry Fund Management Co., Ltd. from May 2014 to December 2021. He served as a supervisor of Ningxia Yin Xing Energy Co., Ltd. (a listed company on the Shenzhen Stock Exchange with the stock code: 000862, engaged in new energy power generation and new energy equipment engineering businesses) from October 2023 to November 2025.

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

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Ms. ZHONG Wentang (鐘文堂), aged 36, joined the Group in June 2020. She has been serving as a partner at the Department of Compliance Consultation, Shanghai Infaith Consulting Co., Ltd. (上海信公企業管理諮詢有限公司), a company engaging in providing consultation services for listed companies, since February 2019, and is mainly responsible for business in sustainable development, and she is in charge of marketing and sales. From February 2016 to February 2019, Ms. Zhong served as a senior consultation manager and consultation business director successively in Shanghai Infaith Consulting Co., Ltd., mainly responsible for business in compliance consultation. From October 2012 to February 2016, she served as an auditor and senior auditor successively in PricewaterhouseCoopers Zhong Tian CPAs Limited Company, mainly responsible for finance and audit for internal control.

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

Ms. JIN Ling (金玲), aged 67, joined the Group in June 2023. Ms. Jin has been the adviser to president and the Chief Accountant of Xiaoshan First People's Hospital (蕭山第一人民醫院) since June 2022. She served as the Chief Accountant of People's Hospital of Zhejiang Province (浙江省人民醫院) from May 2000 to December 2008; the Chief Accountant of the Affiliated Children's Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬兒童醫院) from January 2009 to June 2013; the Chief Accountant of the Second Affiliated Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬第二醫院) from July 2013 to December 2018; and the Chief Financial Officer of Shulan (Hangzhou) Hospital (樹蘭(杭州)醫院) from January 2019 to May 2022. Ms. Jin was once engaged concurrently as a lecturer at the Beijing National Accounting Institute (北京國家會計學院) and Zhejiang University School of Management (浙江大學管理學院).

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

Mr. CHAN Sai Keung Hugo (陳世強), aged 70, joined the Group in June 2023. Mr. Chan has been as a partner of Liao, Ho & Chan (廖何陳律師行), a Hong Kong law firm, since April 1986, is mainly responsible for cross-border & international business, real estate and notarial issues in China. Mr. Chan has been the Founding Vice President of the Hong Kong Professionals and Senior Executives Association (香港專業及資深行政人員協會) since September 2006. From October 2006 to October 2011, he was a member of the Chief Executive Election Committee of Hong Kong. He was a member of the Chinese People's Political Consultative Conference of Shenzhen, China from 2006 to 2010. He has been a consultant lawyer of OR & PARTNERS Solicitors (柯廣輝律師行) since January 2011, and a member of the Board of Trustees of Oral Roberts University, United States since November 2016.

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

Directors, Supervisors and Senior Management

Supervisors

Mr. XU Ning (許寧), aged 52, is chairman of the Supervisory Committee. He is primarily responsible for supervising our daily operations and management. Mr. Xu joined the Company in March 2016, and is currently the president of administration and the president of the public relations department of the Company. He is primarily responsible for the administration and brand building of the Company. Mr. Xu acted as the deputy head of office from March 2016 to October 2016, primarily responsible for the supervision of office daily operation. From November 2016 to December 2017, he served as the head of the personnel section, primarily responsible for staff evaluation and staff recruitment and deployment. He served as the vice president of the human resources department of the Company from January 2018 to June 2022. He was appointed as the vice president of the branding department in January 2022 and was appointed as the vice president of administration in June 2022. He was appointed as the executive president and the president of public relations department in March 2023. Prior to joining the Company, he worked with Wenzhou TV Station (溫州電視台) successively as a news reporter at the news department of the news and general channel, producer of “Wenzhou News” (《溫州新聞聯播》), producer at the special feature department from September 1998 to February 2016, during which he was primarily responsible for news reporting and editing.

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

Mr. XU Yongjiu (徐永久), aged 48, is our Supervisor. He joined the Company in October 2021 and is primarily responsible for supervising our daily operations and management. Since April 2023, he has served as a president director and chairman of the investment committee of Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) and is mainly responsible for comprehensive operations and management. Since June 2021, he has been the representative appointed by the managing partners of Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). From July 2004 to December 2007, he served as the senior investment manager of the Development Research Headquarters of Shanghai International Group. From December 2007 to March 2009, he worked at the Investment Banking Headquarters in Asia Pacific of Citigroup. From March 2009 to September 2011, he served as an executive director of Shanghai International Group and the Securities Investment Headquarters of Shanghai Trust. From October 2011 to October 2015, Mr. Xu served as an executive director of GP Capital Co., Ltd. (金浦產業投資基金管理有限公司). From April 2016 to March 2023, he served as a director, member of the investment committee and senior partner of Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) and is mainly responsible for financial and medical investment.

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

Directors, Supervisors and Senior Management

Mr. QIAN Chengliang (錢成良), aged 75, is our independent Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Qian joined the Company in June 2017 and has served as our independent Supervisor since then. Prior to joining the Company, from May 2007 to May 2012, he served as a deputy officer at the Standing Committee of Wenzhou Municipal People's Congress (溫州市人大常委會). From February 2003 to April 2007, he served as vice mayor of Wenzhou. From October 1996 to January 2003, he served as a member of Standing Committee and officer of the organization division in Lishui (麗水市委常委). From November 1995 to September 1996, he served as an executive deputy officer of the organization division of the municipal committee of the Communist Party in Wenzhou.

Mr. XIE Tiefan (謝鐵凡), aged 46, is our Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Xie joined the Company in May 2000 and currently serves as material purchasing department manager, is primarily responsible for equipment purchase and management. From May 2000 to August 2017, he held a variety of positions in the Company including the deputy director of the information department, the deputy director of the equipment department, the director of the equipment department. He was appointed as a Supervisor in September 2014 after the Company was converted into a joint stock limited liability company. He was appointed as material purchasing department manager in September 2017.

Mr. Xie graduated from the Open University of China (中央廣播電視大學) in Beijing in December 2004, obtaining a junior college degree in finance. He graduated from Jinggangshan University in Jiangxi Province in January 2016, obtaining a bachelor's degree in biomedical engineering. Mr. Xie was conferred the title of Assistant Engineer by the Wenzhou Municipal Bureau of Human Resources in December 2007. He obtained the intermediate clinical qualification from the Department of Human Resources and Social Security of Zhejiang Province in September 2024.

Mr. FANG Wei (方巍), aged 38, joined the Company in June 2025. Mr. Fang worked in the Digital Marketing Department of Accenture (China) Co., Ltd. (埃森哲(中國)有限公司) from 2010 to 2011. In 2011, he joined Shanghai Yuhong Investment Management Co., Ltd. (上海禹閔投資管理有限公司), a private equity firm focusing on impact investment, where he successively served as an investment manager, vice president and senior vice president, and is currently an executive director, primarily responsible for investments in the healthcare and elderly care sectors as well as post-investment project management.

Mr. Fang graduated from the University of Nottingham in the United Kingdom in 2008 with a bachelor's degree in management and in 2009 with a master's degree in management psychology. He graduated from PBC School of Finance, Tsinghua University in 2020 with a degree in Master of Business Administration and also obtained a degree in Master of Business Administration from Cornell University in the United States.

Directors, Supervisors and Senior Management

Senior Management

Mr. ZHOU Chaoyi (周朝毅), aged 63, is our vice general manager. He is primarily responsible for assisting the general manager in managing the infrastructure of our Company. Mr. Zhou joined the Company in February 2005 and has served as our vice general manager since then. He was appointed as our vice general manager in September 2014 again after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from November 1995 to December 2004, Mr. Zhou served as the vice president of Wenzhou Cardiovascular Hospital (溫州心血管醫院) which is a local hospital in Wenzhou, where he was primarily responsible for logistics. From May 1990 to October 1995, Mr. Zhou served as the assistant to president and section chief (科長) of human resources and security section at Wenzhou Traditional Chinese Medicine Hospital (溫州市中醫院) which is a local hospital in Wenzhou, where he was primarily responsible for human resources and security. From January 1986 to April 1990, Mr. Zhou served as the human resource officer and deputy office director-general at Wenzhou Qigong Sanatorium (溫州市氣功療養院) in Wenzhou, where he was primarily responsible for human resources and youth work organization.

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

Mr. YE Minjie (葉敏捷), aged 52, is our vice general manager. He is primarily responsible for assisting the general manager in the management of scientific research and teaching, and international cooperation of the Company. He joined the Company in October 2013 as the vice president. Mr. Ye was appointed as our vice general manager in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from July 1994 to September 2013, he was the section chief (科長) at Wenzhou Mental Hospital (溫州市精神病院), which is a local hospital in Wenzhou, where he was primarily responsible for scientific research and teaching.

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

Directors, Supervisors and Senior Management

Mr. XU Yi (徐誼), aged 51, is our vice general manager. He is primarily responsible for assisting the general manager in the facility and information technology of the Company. Mr. Xu joined the Company in October 2002 and served as the section chief (科長) in the logistics department from October 2002 to March 2009, where he was primarily responsible for logistics management. From April 2009 to September 2014, he served as our vice president, where he was primarily responsible for assisting the president in the overall management and logistics of the Company. He was appointed as our vice general manager in September 2014 after the Company was converted into a joint stock limited liability company. Prior to joining the Company, from April 1999 to September 2002, he was a teacher at the Party School of Wenzhou Municipal Committee of the Communist Party of China (中共溫州市委黨校), where he was primarily responsible for teaching information technology courses.

Mr. Xu graduated from Zhejiang University in February 2020 and obtained a bachelor's diploma in human resource management through online education. Mr. Xu is the brother-in-law of Mr. Guan Weili and the brother-in-law of Ms. Wang Lianyue.

Ms. ZHANG Feixue (章飛雪), aged 56, is our vice general manager. She is primarily responsible for the operation of the hospitals in Taizhou of the Company. Ms. Zhang joined the Company in February 2004 and served as the head of the nursing department from February 2004 to October 2009, where she was primarily responsible for the management of nursing. From November 2009 to September 2010, she served as the head of the education department and the out-patient department, where she was primarily responsible for management. From October 2010 to March 2015, Ms. Zhang served as the vice president of the Company and was primarily responsible for assisting the president in managing nursing affairs. Ms. Zhang has been serving as the vice general manager of the Company since March 2015. Prior to joining the Company, Ms. Zhang held various positions at the Fifth People's Hospital of Yueqing (樂清市第五人民醫院): from October 1995 to January 2004, she served as the head of the nursing department, where she was primarily responsible for hospital nursing management, and from January 1993 to September 1995, she served as an emergency head nurse, where she was primarily responsible for emergency nursing management.

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

Mr. WANG Jian (王健), aged 41, is an executive director, deputy general manager and secretary of the board of directors of the Company. For detailed information of Mr. Wang's resume, please refer to the section of "Directors, Supervisors and Senior Management – Executive Directors" in this annual report.

Directors, Supervisors and Senior Management

Mr. JIN Weiguang (金偉光), aged 57, is our vice general manager. He is primarily responsible for handling the operation of the Company's hospitals in Haixi region. Mr. Jin joined the Company in May 2015 and served as the vice general manager of Shenzhen Yining Hospital from May 2015 to May 2017, where he was primarily responsible for operation functions. Mr. Jin served as the chief investment officer of the Company from May 2017 to February 2022 and has served as the general manager of Haixi region of the Company since February 2022. He was appointed as the vice general manager of the Company in November 2018. Prior to joining the Company, from August 1987 to April 2015, he served in Wenzhou Municipal Health Bureau (溫州市衛生局), mainly responsible for planning, finance and other management works, concurrently serving as director of the planning finance department of Wenzhou Municipal Health Bureau from April 2009 to April 2015. From March 2002 to March 2009, he served as deputy head of office and deputy director of the planning finance department of Wenzhou Municipal Health Bureau.

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

Mr. JIN Hui (金輝), aged 39, is our chief financial officer. He is primarily responsible for overall financial management. He joined the Company in January 2022 and has served as our chief financial officer. Prior to joining the Company, he served as audit assistant, project leader and senior partner of Zhejiang Huaming Certified Public Accountants Company Limited (浙江華明會計師事務所有限公司) from February 2012 to December 2021, primarily responsible for the audit of various corporations, enterprises or institutions. He was responsible for the annual report and economic responsibility audit of Wenzhou municipal hospitals; annual report audit projects of large state-owned enterprises; audit of real estate, banking and other industries and government departments. He was employed as a budget review expert at Wenzhou Municipal People's Congress in November 2018, primarily responsible for the review and supervision of budget and final account settlement. Prior to joining the Zhejiang Huaming Certified Public Accountants Company Limited, he served as an audit assistant in Wenzhou Lead Certified Public Accountants Company Limited (溫州立德會計師事務所有限公司) from February 2009 to January 2012.

Mr. Jin graduated from Zhejiang University of Finance & Economics (浙江財經大學) with a bachelor's degree in economics in June 2008. He obtained the qualification of certified public accountant issued by Zhejiang Provincial Department of Finance in March 2013. He was awarded a legal professional qualification certificate by the Ministry of Justice of the People's Republic of China in March 2024.

Directors, Supervisors and Senior Management

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

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
GUAN Weili	Cangnan Kangning Hospital Co., Ltd.	Executive director	From June 2012 to present
	Yongjia Kangning Hospital Co., Ltd.	Executive director	From December 2012 to September 2025
	Yongjia Kangning Hospital Co., Ltd.	Director	From September 2025 to present
	Yueqing Kangning Hospital Co., Ltd.	Executive director	From September 2013 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Director	From November 2015 to present
	Pingyang Kangning Hospital Co., Ltd.	Executive director	From November 2015 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Chairman, General Manager	From April 2020 to present
	Wenzhou Yining Nursing Home Co., Ltd.	Director	From August 2024 to present
	Qingtian Kangning Property Management Co., Ltd.	Director	From November 2024 to present
	Qingtian Kangning Hospital Co., Ltd.	Director	From December 2024 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
WANG Lianyue	Yiwu Kangning Hospital Management Co., Ltd.	Executive director, Manager	From January 2017 to present
	Qingtian Kangning Hospital Co., Ltd.	Manager	From December 2018 to present
	Hangzhou Yining Nursery Service Co., Ltd.	Executive director, General Manager	From December 2020 to present
	Zhejiang Yining Health Technology Co., Ltd.	Executive director	From September 2022 to present
	Zhejiang Dening Pharmaceutical Co., Ltd.	Chairman	From September 2022 to present
	Chun'an Kangning Huangfeng Hospital Co., Ltd.	Director	From November 2022 to present
	Changchun Kanglin Psychological Hospital Co., Ltd.	Chairman	From May 2023 to present
	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Chairman, Manager	From November 2025 to present
	Beijing Yining Hospital Co., Ltd.	Executive director	From June 2024 to present
	Qingtian Kangning Property Management Co., Ltd.	Manager	From November 2024 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
XU Yi	Qingtian Kangning Hospital Co., Ltd.	Supervisor	From April 2011 to present
	Yueqing Kangning Hospital Co., Ltd.	Supervisor	From September 2013 to present
	Shenzhen Yining Hospital	Supervisor	From September 2014 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Supervisor	From November 2015 to present
	Taizhou Kangning Hospital Co., Ltd.	Executive director	From June 2016 to present
	Zhejiang Kangning Hospital Management (Group) Co., Ltd.	Executive director, General Manager	From July 2016 to present
	Taizhou Luqiao Cining Hospital Co., Ltd.	Executive director, Manager	From December 2016 to present
	Hangzhou Cining Hospital Co., Ltd.	Executive director, General Manager	From November 2017 to present
	Wenzhou Tianzhentang TCM Clinic Co., Ltd.	Executive director	From January 2018 to present
	Huainan Kangning Hospital Co., Ltd.	Chairman	From June 2018 to present
	Zhejiang Jerinte Health Technology Co., Ltd.	Executive director, General Manager	From December 2018 to September 2025
	Zhejiang Jerinte Health Technology Co., Ltd.	Director, Manager	From September 2025 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Wenzhou Yining Nursing Home Co., Ltd.	Supervisor	From August 2024 to present
	Qingtian Kangning Property Management Co., Ltd.	Supervisor	From November 2024 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
WANG Jian	Quzhou Yining Hospital Co., Ltd.	Director	From November 2015 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Chairman, Manager	From January 2019 to present
	Huainan Kangning Hospital Co., Ltd.	Director	From June 2019 to present
	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From July 2019 to present
	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.	Executive director, General Manager	From March 2020 to February 2025
	Zhejiang Yining Health Technology Co., Ltd.	Manager	From March 2020 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Jinyun Shuning Hospital Co., Ltd.	Chairman	From October 2022 to present
	Longquan Kangning Hospital Co., Ltd.	Executive director, General Manager	From February 2023 to present
	Beijing Yining Hospital Co., Ltd.	Director, Manager	From February 2023 to present
	Changchun Kanglin Psychological Hospital Co., Ltd.	Director	From May 2023 to present
	Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	Chairman	From December 2023 to present
	Zhejiang Yining Geriatric Health Service Co., Ltd.	Director, Manager	From April 2024 to present
	Hangzhou Yining Hospital Co., Ltd.	Director	From May 2025 to present
	Zhejiang Youning Pharmaceutical Co., Ltd.	Director, Manager	From June 2025 to present
	Wenzhou Deci Care Services Co., Ltd.	Director	From September 2025 to present
	Zhejiang Jerinte Health Technology Co., Ltd.	Chairman	From September 2025 to present
	Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Director	From November 2025 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
ZHOU Chaoyi	Yiwu Kangning Hospital Management Co., Ltd.	Supervisor	From January 2017 to present
	Quzhou Yining Hospital Co., Ltd.	Director	From November 2022 to present
ZHANG Feixue	Linhai Kangning Hospital Co., Ltd.	Executive director, Manager	From January 2018 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Director	From January 2019 to present
	Linhai Cining Hospital Co., Ltd.	Executive director, Manager	From December 2020 to present
JIN Weiguang	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From December 2018 to present
	Pingyang Changgeng Yining Hospital Co., Ltd.	Director	From February 2025 to present
XU Ning	Guanxian Yining Hospital Co., Ltd.	Executive director	From July 2019 to present
	Heze Yining Psychiatric Hospital Co., Ltd.	Chairman	From March 2020 to present
JIN Hui	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd.	Supervisor	From September 2022 to present
	Cangnan Yining Nursing Centre Co., Ltd.	Supervisor	From September 2022 to present
	Pingyang Changgeng Yining Hospital Co., Ltd.	Supervisor	From January 2023 to present
	Jinyun Shuning Hospital Co., Ltd.	Director	From May 2024 to present

Auditor's Report

Xin Kuai Shi Bao Zi [2026] No.ZA10667

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

Opinion

We have audited the accompanying financial statements of Wenzhou Kangning Hospital Co., Ltd. (hereinafter refer to as “Kangning Hospital”), which comprise the consolidated and company’s balance sheets as at 31 December 2025, the consolidated and company’s income statements, the consolidated and company’s statements of cash flows, and the consolidated and company’s statements of changes in owners’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company’s financial position as at 31 December 2025 and the consolidated and company’s financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Kangning Hospital in accordance with China Independence Standard for Certified Public Accountants No. 1 – Independence for Audit and Review Engagements and China Code of Ethics for Certified Public Accountants (“the CICPA Code”) and have fulfilled our other ethical responsibilities in accordance with the CICPA Code. The independence requirements for audits of public interest entities have been applied in our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Report

Key Audit Matters

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

We identified the following key audit matters in our audit:

Key audit matters	How these matters were addressed in the audit
<p>(I) Goodwill impairment</p> <p>Please refer to Note 3.18 Impairment of long-term assets, Note 3.31 Significant accounting estimates and key assumptions, and Note 5.16 Goodwill of the financial statements.</p> <p>As of 31 December 2025, the book value of goodwill arising from the business combination of the Company was RMB126.4549 million. According to accounting standards, impairment testing should be conducted at least at the end of each fiscal year. The management considers each acquired medical entity as an independent asset group, allocates goodwill arising from the business combination to the corresponding medical entity, and uses the income approach to assess the recoverable value of the asset group where goodwill resides for impairment testing.</p>	<p>Our audit procedures included but were not limited to:</p> <ol style="list-style-type: none"> 1. Understanding key internal controls and evaluation processes related to goodwill impairment by management, and assessing the inherent risk of material misstatement by considering the degree of estimate uncertainty and the level of other inherent risk factors (such as the complexity and subjectivity of estimates, and the sensitivity to misstatement due to management bias or fraud in making accounting estimates). 2. Based on our understanding of the Company's accounting policies and business, evaluating the basis and reasonableness of management's allocation of goodwill to the combination of asset groups 3. Analyzing the key assumptions and methods used by management in goodwill impairment testing, with reference to the historical operating conditions of the asset groups related to goodwill, to judge the reasonableness of management's estimates and assumptions for measuring the fair value of the asset groups to which goodwill belongs.

Auditor's Report

Key Audit Matters (continued)

Key audit matters	How these matters were addressed in the audit
<p>The results of goodwill impairment testing largely depend on significant judgments and estimates made by management in forecasting the present value of future cash flows of the relevant asset group, which mainly include: average number of operational inpatient beds, average daily charge per inpatient bed, gross profit margin, pre-tax discount rate, and perpetual growth rate. These significant judgments and estimates are influenced by management's assessment of future market and economic conditions. Different estimates and assumptions will have a significant impact on the recoverable amount of goodwill. Therefore, we consider this matter as a key audit matter.</p>	<ol style="list-style-type: none"> 4. Reviewing the goodwill impairment test report prepared by management, comparing the difference between the book value and the recoverable amount of the asset groups to which goodwill belongs, to confirm whether there is any goodwill impairment. 5. Testing the reasonableness of key assumptions used by management in goodwill impairment testing (including the average number of inpatient beds in operation, average daily charge per bed for inpatients, and gross profit margin). Specifically, we evaluated the reasonableness of key assumptions by comparing them with historical data from other similar medical entities within the group and referencing the medical insurance payment levels in the regions where these medical entities are located. 6. Checking the completeness of disclosures in the relevant financial statement notes.

Auditor's Report

Key Audit Matters (continued)

Key audit matters

How these matters were addressed in the audit

(II) Revenue recognition

Please refer to Note 3.24 Revenue and Note 5.40 Operating Revenue and Cost of Sales in the financial statements.

The Company's operating revenue confirmed for the year 2025 was RMB1,619,784,400, mainly derived from medical-related services. Since income is one of the key performance indicators of the Company, there is an inherent risk of management manipulating the timing of income recognition or inappropriately recognizing income to achieve specific goals or meet expectations, thus we identify income recognition as a key audit matter.

Our audit procedures include but are not limited to:

1. Understanding, evaluating, and testing the design and operational effectiveness of key internal controls related to income recognition;
2. Understanding the Company's income recognition policy, analyzing the point at which control of goods or services is transferred to customers, and judging whether the Company's accounting policy complies with enterprise accounting standards and is consistently applied;
3. Understanding the medical insurance fund policy, settlement, and fund allocation related to income recognition;
4. Verifying the book income with the records of the hospital information system, and sampling to check the corresponding settlement and collection records, while checking relevant medical records and other supporting evidence;
5. Implementing analytical procedures to identify whether there are significant or abnormal fluctuations and ascertain the reasons for the fluctuations.

Auditor's Report

Other Information

Management of Kangning Hospital (hereinafter referred to as “the management”) is responsible for the other information. The other information comprises all of the information included in the 2025 annual report of the Company, other than the financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand 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 Kangning Hospital's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Kangning Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Kangning Hospital to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Kangning Hospital to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Report

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

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

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

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

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China:
Zhu Haiping
(Engagement Partner)

Certified Public Accountant of China:
Lin Wenjun

Shanghai, China
23 March 2026

Consolidated Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Asset	Note 5	Balance as at 31 December 2025	Balance as at 31 December 2024
Current assets:			
Cash at bank and on hand	5.1	294,039,860.88	261,749,010.62
Settlement deposits			
Placements with banks and other financial institutions			
Financial assets held for trading	5.2	8,573,388.20	7,938,322.41
Derivative financial assets			
Notes receivable	5.3	1,486,564.55	663,798.83
Accounts receivable	5.4	462,939,569.82	571,812,956.97
Receivables financing			
Advances to suppliers	5.5	15,792,568.62	14,713,963.24
Premiums receivable			
Reinsurance receivables			
Reinsurance contract reserves receivable			
Other receivables	5.6	77,790,656.08	81,354,941.59
Financial assets purchased under resale agreements			
Inventories	5.7	46,032,543.08	50,629,131.38
Including: data resources			
Contract assets			
Assets held for sale	5.8		
Non-current assets due within one year			
Other current assets	5.9	25,380,696.08	5,859,353.91
Total current assets		932,035,847.31	994,721,478.95

Consolidated Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Asset	Note 5	Balance as at 31 December 2025	Balance as at 31 December 2024
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term accounts receivable	5.10		14,000,000.00
Long-term equity investments	5.11	95,912,391.92	99,413,985.20
Investment in other equity instruments			
Other non-current financial assets	5.12	28,123,065.82	36,755,116.10
Investment property			
Fixed assets	5.13	1,159,366,939.63	889,544,442.13
Construction in progress	5.14	13,091,854.50	185,164,227.10
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.15	192,354,108.23	161,821,444.56
Intangible assets	5.16	285,757,258.42	291,535,792.26
Including: data resources			
Development expenditure			
Including: data resources			
Goodwill	5.17	126,454,937.63	114,158,433.92
Long-term deferred expenses	5.18	121,609,290.74	150,407,031.48
Deferred tax assets	5.19	55,346,815.83	56,197,544.77
Other non-current assets	5.20	15,514,860.97	11,233,664.34
Total non-current assets		2,093,531,523.69	2,010,231,681.86
Total assets		3,025,567,371.00	3,004,953,160.81

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Consolidated Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at 31 December 2025	Balance as at 31 December 2024
Current liabilities:			
Short-term borrowings	5.21	109,243,676.71	91,000,000.00
Borrowings from central bank			
Funds borrowed			
Financial liabilities held for trading	5.22	1,805,503.25	14,000,000.00
Derivative financial liabilities			
Notes payable			
Accounts payable	5.23	160,803,092.48	131,936,379.98
Receipts in advance	5.24	23,327,087.38	21,319,198.39
Contract liabilities	5.25	161,104.98	49,771.35
Financial assets sold under repurchase agreements			
Receipt of deposits and deposits from other banks			
Funds received as agent of stock exchange			
Funds received as stock underwriter			
Employee benefits payable	5.26	84,431,492.90	85,747,296.61
Taxes payable	5.27	35,809,004.43	39,128,083.85
Other payables	5.28	91,859,119.30	81,287,433.15
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	5.29	201,407,509.55	229,270,444.13
Other current liabilities	5.30	3,214,866.97	615,218.00
Total current liabilities		712,062,457.95	694,353,825.46

Consolidated Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at 31 December 2025	Balance as at 31 December 2024
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	5.31	746,952,957.47	691,017,337.44
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities	5.32	148,475,651.18	151,300,062.80
Long-term payables	5.33	47,419,832.76	76,236,878.60
Long-term employee benefits payable			
Provisions			
Deferred income	5.34	18,206,515.00	8,430,307.00
Deferred tax liabilities	5.35	40,820,058.32	40,313,058.68
Other non-current liabilities			
Total non-current liabilities		1,001,875,014.73	967,297,644.52
Total liabilities		1,713,937,472.68	1,661,651,469.98

Consolidated Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note	Balance as at 31 December 2025	Balance as at 31 December 2024
Owner's equity:			
Share capital	5.36	72,358,900.00	72,670,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital surplus	5.37	760,645,326.71	790,024,238.03
Less: treasury shares	5.38	47,815,625.17	22,366,848.64
Other comprehensive income			
Special reserve			
Surplus reserve	5.39	38,399,577.13	38,399,577.13
Provision for general risk			
Retained earnings	5.40	364,230,299.84	344,285,828.01
Total equity attributable to owners of the company		1,187,818,478.51	1,223,012,794.53
Minority equity		123,811,419.81	120,288,896.30
Total owner's equity		1,311,629,898.32	1,343,301,690.83
Total liabilities and shareholders' equity		3,025,567,371.00	3,004,953,160.81

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Company's Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Asset	Note 16	Balance as at 31 December 2025	Balance as at 31 December 2024
Current assets:			
Cash at bank and on hand		94,963,270.69	112,152,552.80
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	16.1	36,684,264.84	69,696,752.09
Receivables financing			
Advances to suppliers		1,846,331.88	2,264,057.74
Other receivables	16.2	550,863,300.90	616,875,722.47
Inventories		10,183,513.42	10,162,306.19
Including: data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets			355,000.00
Total current assets		694,540,681.73	811,506,391.29

Company's Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Asset	Note 16	Balance as at 31 December 2025	Balance as at 31 December 2024
Non-current assets:			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investments	16.3	858,672,101.34	834,837,987.87
Other equity instrument investments			
Other non-current financial assets		28,123,065.82	36,755,116.10
Investment property			
Fixed assets		272,207,527.96	280,273,134.88
Construction in progress		1,025,192.00	622,132.50
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		22,729,970.04	23,603,766.55
Including: data resources			
Development expenditure			
Including: data resources			
Goodwill			
Long-term deferred expenses		15,910,730.63	18,701,115.49
Deferred tax assets		18,521,653.76	17,876,806.13
Other non-current assets		4,734,226.16	6,010,995.66
Total non-current assets		1,221,924,467.71	1,218,681,055.18
Total assets		1,916,465,149.44	2,030,187,446.47

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Company's Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note 16	Balance as at 31 December 2025	Balance as at 31 December 2024
Current liabilities:			
Short-term borrowings		93,720,000.00	75,000,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		35,437,646.63	50,885,691.57
Receipts in advance		4,504,580.09	4,828,444.68
Contract liabilities			
Employee benefits payable		20,959,095.77	20,234,697.93
Taxes payable		3,963,391.03	3,208,892.78
Other payables		22,658,542.55	51,395,823.13
Liabilities held for sale			
Non-current liabilities due within one year		142,430,144.00	172,880,144.00
Other current liabilities			
Total current liabilities		323,673,400.07	378,433,694.09
Non-current liabilities:			
Long-term borrowings		379,700,000.00	399,350,000.00
Bonds payable			
Including: preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		20,752,353.52	34,016,324.10
Long-term employee benefits payable			
Provisions			
Deferred income		8,126,515.00	8,430,307.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		408,578,868.52	441,796,631.10
Total liabilities		732,252,268.59	820,230,325.19

Company's Balance Sheet

31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and shareholders' equity	Note 16	Balance as at 31 December 2025	Balance as at 31 December 2024
Owner's equity:			
Capital stock		72,358,900.00	72,670,000.00
Other equity instruments			
Including: preferred shares			
Perpetual bonds			
Capital surplus		833,848,391.98	832,320,975.11
Less: treasury stock		47,815,625.17	22,366,848.64
Other comprehensive income			
Special reserve			
Surplus reserve		38,399,577.13	38,399,577.13
Retained earnings		287,421,636.91	288,933,417.68
Total owner's equity		1,184,212,880.85	1,209,957,121.28
Total liabilities and shareholders' equity		1,916,465,149.44	2,030,187,446.47

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Consolidated Income Statement

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
I. Total operating revenue		1,619,784,410.78	1,654,289,413.23
Including: operating revenue	5.40	1,619,784,410.78	1,654,289,413.23
Interest income			
Premium income			
Fee and commission income			
II. Total cost of sales		1,529,179,445.02	1,549,653,898.69
Including: cost of sales	5.40	1,200,715,218.36	1,215,885,485.62
Interest expense			
Handling and commission expense			
Surrender payment			
Net claims paid			
Net provision for insurance liabilities			
Policyholder dividend expense			
Reinsurance expense			
Taxes and surcharges	5.41	11,246,124.84	12,336,885.73
Selling expenses	5.42	7,732,206.07	9,972,500.41
Administrative expenses	5.43	233,105,855.14	227,346,205.41
R&D expenses	5.44	30,123,956.58	36,519,661.16
Financial expenses	5.45	46,256,084.03	47,593,160.36
Including: interest expenses		39,058,494.99	41,601,182.38
Interest income		842,390.82	3,122,805.73
Add: other income	5.46	23,553,876.85	13,253,818.83
Investment income (losses represented with “-” signs)	5.47	3,352,761.94	754,876.93
Including: investment income from associates and joint ventures	5.47	-1,463,514.07	-1,089,495.22
Income from derecognition of financial assets measured at amortised cost			
Exchange gains (losses represented with “-” signs)			
Net open hedging gains (losses represented with “-” signs)			
Gains from changes in fair value (losses represented with “-” signs)	5.48	-3,021,733.30	-269,736.39
Credit impairment losses (losses represented with “-” signs)	5.49	-6,584,873.28	-26,454,997.91
Asset impairment losses (losses represented with “-” signs)	5.50	-25,455,745.42	-16,495,929.58
Asset disposal gains (losses represented with “-” signs)	5.51	2,384,033.43	-69,932.29

Consolidated Income Statement

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
III. Operating profit (losses represented with“ -” signs)		84,833,285.98	75,353,614.13
Add: non-operating revenue	5.52	1,321,588.29	1,528,901.03
Less: non-operating expense	5.53	16,935,849.67	8,783,028.50
IV. Pre-tax profit (total loss represented with“ -” signs)		69,219,024.60	68,099,486.66
Less: income tax expenses	5.54	32,615,101.37	17,701,775.29
V. Net profit (net loss represented with“ -” signs)		36,603,923.23	50,397,711.37
(I) Classification by continuity of operations			
1. Net profit from continuing operation (net losses represented with “-” signs)		36,603,923.23	50,397,711.37
2. Net profit from discontinued operation (net losses represented with “-” signs)			
(II) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the company (net losses represented with “-” signs)		54,395,979.83	65,610,188.85
2. Profit or loss attributable to non-controlling interests (net losses represented with “-” signs)		-17,792,056.60	-15,212,477.48
VI. Other comprehensive income, net of tax			
Other comprehensive income, net of tax attributable to owners of the company			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes rising from re-measurement of the defined benefit plan			
2. Other comprehensive income under the equity method that cannot be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value due to the enterprise’s own credit risk			

Consolidated Income Statement

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income under the equity method that can be reclassified into profit or loss			
2. Changes in fair value of other debt investments			
3. Amount reclassified into other comprehensive income due to financial asset reclassification			
4. Credit impairment provisions for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders after tax			
VII. Total comprehensive income		36,603,923.23	50,397,711.37
Attributable to shareholders of the company		54,395,979.83	65,610,188.85
Total comprehensive income attributable to minority shareholders		-17,792,056.60	-15,212,477.48
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	5.55	0.76	0.88
(II) Diluted earnings per share (RMB/share)	5.55	0.76	0.88

The accompanying notes form an integral part of these financial statements

Person in charge of the Company:
GUAN Weili

Person in charge of accounting affairs:
JIN Hui

Person in charge of accounting department:
WANG Minhui

Company's Income Statement

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 16	Amount in 2025	Amount in 2024
I. Operating revenue	16.4	379,040,391.81	382,203,291.48
Less: cost of sales	16.4	261,667,292.67	265,234,884.25
Taxes and surcharges		4,413,733.38	4,316,465.04
Selling expenses		555,980.03	631,732.91
Administrative expenses		73,077,746.47	68,141,320.83
R&D expenses		23,312,745.77	25,088,282.82
Financial expenses		11,063,956.27	15,534,037.93
Including: interest expenses		19,519,649.23	27,155,993.77
Interest income		11,933,229.39	15,686,764.05
Add: other income		5,739,721.13	4,410,314.14
Investment income (losses represented with “-” signs)	16.5	27,025,584.92	49,133,712.65
Including: investment income from associates and joint ventures	16.5	2,025,584.92	1,695,251.38
Income from derecognition of financial assets measured at amortised cost			
Net open hedging gains (losses represented with “-” signs)			
Gains from changes in fair value (losses represented with “-” signs)		-1,962,024.32	742,239.73
Credit impairment losses (losses represented with “-” signs)		-3,608,388.19	4,015,631.88
Asset impairment losses (losses represented with “-” signs)			
Asset disposal gains (losses represented with “-” signs)			
II. Operating profit (losses represented with “-” signs)		32,143,830.76	61,558,466.10
Add: non-operating revenue		401,764.62	338,053.84
Less: non-operating expense		250,715.78	27,039,569.49
III. Pre-tax profit (total loss represented with “-” signs)		32,294,879.60	34,856,950.45
Less: income tax expenses		-644,847.63	-3,233,115.77
IV. Net profit (net loss represented with “-” signs)		32,939,727.23	38,090,066.22
(I) Net profit from continuing operation (net loss represented with “-” signs)		32,939,727.23	38,090,066.22
(II) Net profit from discontinued operation (net loss represented with “-” signs)			

Company's Income Statement

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 16	Amount in 2025	Amount in 2024
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes rising from re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value due to the enterprise's own credit risk			
(II) Other comprehensive income reclassified into profit or loss			
1. Other comprehensive income under the equity method that can be reclassified into profit or loss			
2. Changes in fair value of other debt investments			
3. Amount reclassified into other comprehensive income due to financial asset reclassification			
4. Credit impairment provision for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
VI. Total comprehensive income		32,939,727.23	38,090,066.22
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The accompanying notes form an integral part of these financial statements

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Consolidated Statement of Cash Flow

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
I. Cash flow from operating activities			
Cash received from sales of goods and rendering of services		1,772,490,027.34	1,387,505,397.99
Net increase in customers deposits and interbank deposits			
Net increase in borrowings from the central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance business			
Net increase in policyholder deposits and investment funds			
Cash received from interest, fees, and commissions			
Net increase in borrowed funds			
Net increase in funds from repurchase transactions			
Net cash received from securities brokerage services			
Refund of taxes and levies			
Cash received relating to other operating activities	5.56	73,327,922.17	46,542,855.34
Sub-total of cash inflows of operating activities		1,845,817,949.51	1,434,048,253.33
Cash paid for goods and services		570,409,686.30	536,137,778.74
Net increase in loans and advances to customers			
Net increase in deposits with central banks and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements with banks and other financial institutions			
Cash received from interest, fees, and commissions			
Cash paid for policyholders' dividends			
Cash paid to and on behalf of employees		664,306,092.60	642,555,983.44
Cash paid for taxes and surcharges		58,559,037.83	63,003,045.02
Cash paid relating to other operating activities	5.56	112,573,574.86	92,712,942.45
Sub-total of cash outflows of operating activities		1,405,848,391.59	1,334,409,749.65
Net cash flow from operating activities		439,969,557.92	99,638,503.68

Consolidated Statement of Cash Flow

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
II. Cash flows from investing activities			
Cash received from disposal of investments		14,540,025.96	34,242,178.97
Cash received from investment income		12,086.31	
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		173,819.70	1,844,120.17
Net cash received from disposal of subsidiaries and other business units			2,000,000.00
Cash received related to other investing activities	5.56	13,000,000.00	
Sub-total of cash inflows of investing activities		27,725,931.97	38,086,299.14
Cash paid to acquire fixed assets, intangible assets, and other long-term assets		189,507,952.28	192,178,988.86
Cash paid to acquire investments		1,200,000.00	17,020,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units		27,901,903.01	
Cash paid relating to other investing activities	5.56	13,029,192.78	942,428.37
Sub-total of cash outflows of investing activities		231,639,048.07	210,141,417.23
Net cash flow from investing activities		-203,913,116.10	-172,055,118.09

Consolidated Statement of Cash Flow

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Amount in 2025	Amount in 2024
III. Net cash flow from financing activities			
Cash received from capital contributions		14,000,000.00	7,210,500.00
Including: Cash received from subsidiaries capital contributions by non-controlling shareholders of subsidiaries		14,000,000.00	7,210,500.00
Cash received from borrowings		433,102,530.08	448,460,250.00
Cash received relating to other financing activities	5.56	850,000.00	60,000,000.00
Sub-total of cash inflows of financing activities		447,952,530.08	515,670,750.00
Cash repayments of borrowings		400,626,910.05	367,013,827.25
Cash payments for distribution of dividends, and profits or interest expenses		74,417,907.34	74,654,124.22
Including: Cash payments for distribution of dividends and profit by subsidiaries to noncontrolling shareholders		1,515,123.89	2,923,034.00
Cash paid relating to other financing activities	5.56	176,491,832.65	150,919,616.84
Sub-total of cash outflows of financing activities		651,536,650.04	592,587,568.31
Net cash flows from financing activities		-203,584,119.96	-76,916,818.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-30,314.57	-157,162.49
V. Net increase in cash and cash equivalents		32,442,007.29	-149,490,595.21
Plus: Cash and cash equivalents at the beginning of the period	5.57	255,232,744.16	404,723,339.37
VI. Cash and cash equivalents at the end of the period	5.57	287,674,751.45	255,232,744.16

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Company's Statements of Cash Flows

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Amount in 2025	Amount in 2024
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		417,376,501.33	355,123,462.58
Refund of taxes and levies			
Cash received relating to other operating activities		490,071,165.48	563,112,957.82
Sub-total of cash inflows of operating activities		907,447,666.81	918,236,420.40
Cash paid for goods and services		153,791,613.45	135,345,404.98
Cash paid to and on behalf of employees		172,187,105.62	163,048,839.70
Cash paid for taxes and surcharges		5,232,958.43	3,350,063.92
Cash paid relating to other operating activities		439,804,646.45	535,927,923.31
Sub-total of cash outflows of operating activities		771,016,323.95	837,672,231.91
Net cash flows from operating activities		136,431,342.86	80,564,188.49
II. Cash flows from investing activities			
Cash received from disposal of investments		162,179,725.96	139,899,934.13
Cash received from returns on investments			18,438,461.27
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		33,949.00	21,024.00
Net cash received from disposal of subsidiaries and other business units			
Cash received related to other investing activities			
Sub-total of cash inflows of investing activities		162,213,674.96	158,359,419.40
Cash paid to acquire fixed assets, intangible assets, and other long-term assets		7,737,107.02	12,562,107.39
Cash paid to acquire investments		176,657,200.00	184,882,800.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows of investing activities		184,394,307.02	197,444,907.39
Net cash flows from investing activities		-22,180,632.06	-39,085,487.99

Company's Statements of Cash Flows

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Note	Amount in 2025	Amount in 2024
III. Net cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings		287,720,000.00	329,000,000.00
Cash received related to other financing activities			35,000,000.00
Sub-total of cash inflows of financing activities		287,720,000.00	364,000,000.00
Cash repayments of borrowings		319,100,000.00	335,542,127.25
Cash payments for distribution of dividends, and profits or interest expenses		55,890,886.68	58,516,854.32
Cash paid relating to other financing activities		44,139,769.54	85,949,943.67
Sub-total of cash outflows of financing activities		419,130,656.22	480,008,925.24
Net cash flows from financing activities		-131,410,656.22	-116,008,925.24
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-30,314.57	-157,162.49
V. Net increase in cash and cash equivalents		-17,190,259.99	-74,687,387.23
Plus: Cash and cash equivalents at the beginning of the period		110,788,421.25	185,475,808.48
VI. Cash and cash equivalents at the end of the period		93,598,161.26	110,788,421.25

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Consolidated Statement of Changes in Shareholders' Equity

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in 2025													
	Equity attributable to owners of the company													
	Other equity instruments			Other			Provision			Total owner's equity				
	Share capital	Preferred shares	Perpetual bond	Others	Capital surplus	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve		Provision for general risk	Retained earnings	Subtotal	Minority equity
(IV) Internal transfers within shareholders' equity														
1. Capital surplus converted to capital (or share capital)														
2. Surplus reserve converted to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve														
1. Withdrawal in 2025														
2. Use in 2025														
(VI) Others														
IV. Balance as at 31 December 2025	72,338,900.00				760,643,326.71	47,815,625.17		38,399,377.13	364,230,299.84	1,187,818,478.51	123,811,419.81	1,311,629,898.32		-30,943,297.66

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

Legal Representative:
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Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Consolidated Statement of Changes in Shareholders' Equity

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in 2024													
	Equity attributable to owners of the company			Other equity instruments				Other			Total shareholders' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital surplus	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Minority equity	Total shareholders' equity
(IV) Internal transfer of owner's equity														
1. Capital surplus converted to capital (or share capital)														
2. Surplus reserve converted to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Changes in defined benefit plans transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserves														
1. Withdrawal in 2024														
2. Use in 2024														
(VI) Others														
IV. Balance as at 31 December 2024	72,670,000.00				790,024,238.03	22,366,848.64			38,399,377.13		344,285,828.01	1,223,012,794.53	120,288,896.30	1,343,301,690.83
					-35,233,739.07							-35,233,739.07		

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Company's Statements of Changes in Shareholders' Equity

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in 2025						Total shareholders' equity				
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Capital surplus	Less: treasury stock		Other comprehensive income	Special reserve	Surplus reserves	Retained earnings
(IV) Internal transfer of owner's equity											
1. Capital surplus converted to capital (or share capital)											
2. Surplus reserve converted to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plans transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal in 2025											
2. Use in 2025											
(VI) Others											
IV. Balance as at 31 December 2025	72,358,900.00				833,848,391.98	47,815,625.17			38,399,377.13	287,421,636.91	1,184,212,880.85

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Company's Statements of Changes in Shareholders' Equity

Year 2025

(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in 2024							Total shareholders' equity	
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Capital surplus	Less: treasury shares	Other comprehensive income		
(IV) Internal transfers within owner's equity									
1. Capital surplus converted to capital (or share capital)									
2. Surplus reserve converted to capital (or share capital)									
3. Surplus reserve to cover losses									
4. Changes in defined benefit plans transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(V) Special reserve									
1. Withdrawal in 2024									
2. Use in 2024									
(VI) Others									
IV. Balance as at 31 December 2024	72,670,000.00				832,320,975.11	22,366,848.64	38,399,577.13	288,933,417.68	1,209,957,121.28
									-11,654,848.94

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

Legal Representative:
GUAN Weili

Principal in Charge of Accounting:
JIN Hui

Head of the Accounting Department:
WANG Minhui

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

1 Company profile

Wenzhou Kangning Hospital Co., Ltd. (hereinafter referred to as the “Company” or “the Group”) was established as a joint stock cooperative enterprise under the name of Wenzhou City Kangning Psychiatric Rehabilitation Hospital in the PRC in February 1996. The address of the Company’s registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

On 15 October 2014, the Company was converted into a joint stock limited liability company and renamed as Wenzhou Kangning Hospital Co., Ltd.

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

As at 31 December 2025, the Company’s accumulative total issued share capital was 72,358,900 shares and the Company’s registered capital was RMB72,358,900. The registered address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC, and the headquarters address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

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

The actual controllers of the Company are Guan Weili and his spouse Wang Lianyue.

On 23 March 2026, the financial statements were approved by the Board of Directors of the Company.

2 Basis of preparation of financial statements

2.1 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and various specific accounting standards, the Accounting Standards for Business Enterprises – Application Guidelines, the Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively, the “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as well as the applicable disclosure provisions of the Hong Kong *Companies Ordinance*.

2.2 Going concern

The financial statements are prepared on the basis of going concern.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates

1. The Group fully discloses the relevant transactions and matters that require professional judgment based on the principle of substance over form, the reasons and basis for relevant professional judgment, and the specific accounting treatment related thereto.
2. The Group strictly complies with relevant laws and regulations on confidentiality when preparing and disclosing financial reports.
3. The Group has formulated specific accounting policies and accounting estimates according to the actual production and operation characteristics, mainly including the provision for bad debts of receivables, revenue recognition and measurement, depreciation of fixed assets, amortisation of intangible assets and amortisation of long-term deferred expenses.

3.1 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the Company's consolidated and company's financial position as of 31 December 2025, and consolidated and company's operating results and cash flows for the year then ended.

3.2 Accounting period

The accounting year shall be calculated from 1 January to 31 December.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Bookkeeping currency

The Company uses RMB as its bookkeeping currency.

3.5 Accounting treatment methods for business combinations under common control and not under common control

Business combinations under common control: the assets and liabilities acquired by the acquirer in the business combination (including goodwill formed by the ultimate controller's acquisition of the combinee) are measured based on the book value of the merged party's assets and liabilities in the ultimate controlling party's consolidated financial statements as of the combination date. The difference between the book value of the net assets acquired in the combination and the book value of the combination consideration paid (or the total par value of issued shares) is adjusted to the share premium in the capital surplus. If the share premium in the capital surplus is insufficient, the retained earnings are adjusted.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.5 Accounting treatment methods for business combinations under common control and not under common control (continued)

Business combinations not under common control: the combination cost is the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer on the acquisition date to obtain control of the acquiree. The excess of the combination cost over the fair value of the identifiable net assets acquired in the combination is recognised as goodwill; the shortfall of the combination cost compared to the fair value of the identifiable net assets acquired in the combination is included in the current profit or loss. The identifiable assets, liabilities, and contingent liabilities of the acquiree that meet the recognition criteria in the combination are measured at fair value on the acquisition date.

Directly related expenses incurred for the combination are included in the current profit or loss when incurred; transaction costs for issuing equity or debt securities for the combination are included in the initial recognition amount of the equity or debt securities.

3.6 Criteria for determining control and methods for preparing consolidated financial statements

3.6.1 Criteria for determining control

The scope of consolidation for consolidated financial statements is determined based on control and includes the Company and all its subsidiaries. Control refers to the power a company has over the investee, the ability to enjoy variable returns through participation in the investee's relevant activities, and the ability to influence the amount of returns through its power over the investee.

3.6.2 Consolidation procedures

The Company views the entire corporate group as an accounting entity and prepares consolidated financial statements according to unified accounting policies to reflect the overall financial status, operating results, and cash flows of the corporate group. The effects of internal transactions between the Company and its subsidiaries are eliminated. If internal transactions indicate impairment losses on related assets, the losses are fully recognised. If the accounting policies or periods adopted by subsidiaries differ from those of the Company, necessary adjustments are made according to the Company's accounting policies and periods when preparing consolidated financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.6 Criteria for determining control and methods for preparing consolidated financial statements (continued)

3.6.2 Consolidation procedures (continued)

The shares of minority shareholders in the subsidiaries' equity, current net loss, and current comprehensive income are separately listed under the equity section of the consolidated balance sheet, the net profit section of the consolidated income statement, and the total comprehensive income section. If the current losses shared by minority shareholders of a subsidiary exceed the balance formed by their share in the subsidiary's equity at the beginning of the period, it reduces minority equity.

(1) Increase in subsidiaries or businesses

During the reporting period, if subsidiaries or businesses are increased due to combinations under common control, the operating results and cash flows from the beginning of the period to the end of the reporting period are included in the consolidated financial statements, and adjustments are made to the initial figures and related items in the comparative statements, treating the merged reporting entity as existing from the point of control by the ultimate controlling party.

During the reporting period, if subsidiaries or businesses are added due to combinations not under common control, the identifiable assets, liabilities, and contingent liabilities determined at fair value on the acquisition date are included in the consolidated financial statements from the acquisition date.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.6 Criteria for determining control and methods for preparing consolidated financial statements (continued)

3.6.2 Consolidation procedures (continued)

(2) Dispose of subsidiaries

① General handling methods

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the remaining equity investment after disposal is remeasured at its fair value on the date control is lost. The difference between the sum of the consideration received from the disposal of equity and the fair value of the remaining equity, and the share of net assets and goodwill calculated based on the original shareholding ratio from the acquisition or consolidation date, is included in the investment income for the period when control is lost. Other comprehensive income related to the original subsidiary's equity investment that can be reclassified to profit or loss, as well as changes in other shareholders' equity under the equity method, are transferred to current investment income when control is lost.

② Step-by-step disposal of a subsidiary

When equity investments in a subsidiary are disposed of step by step through multiple transactions until control is lost, if the terms, conditions, and economic effects of these transactions meet one or more of the following conditions, it usually indicates that these multiple transactions constitute a package deal:

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.6 Criteria for determining control and methods for preparing consolidated financial statements (continued)

3.6.2 Consolidation procedures (continued)

(2) Dispose of subsidiaries (continued)

② Step-by-step disposal of a subsidiary (continued)

- i. These transactions are entered into simultaneously or after considering their mutual impacts.
- ii. These transactions together achieve a complete commercial result.
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction.
- iv. A single transaction is uneconomical on its own but becomes economical when considered together with other transactions.

If transactions are part of a package deal, they are accounted for as a single transaction of disposing of a subsidiary and losing control. Before losing control, the difference between the disposal proceeds and the share of the subsidiary's net assets corresponding to the disposed investment is recognised as other comprehensive income in the consolidated financial statements and transferred to the current profit or loss when control is lost.

If transactions are not part of a package deal, before losing control, the partial disposal of equity investment in the subsidiary is accounted for as if control is retained; when control is lost, the disposal is accounted for using the general method for disposing of a subsidiary.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.6 Criteria for determining control and methods for preparing consolidated financial statements (continued)

3.6.2 Consolidation procedures (continued)

(3) Purchase of minority equity in a subsidiary

The difference between the newly acquired long-term equity investments due to the purchase of minority equity and the share of the subsidiary's net assets calculated based on the new holding ratio from the acquisition or consolidation date is adjusted in the share premium in the capital surplus in the consolidated balance sheet. If the share premium in the capital surplus is insufficient, the retained earnings are adjusted.

(4) Partial disposal of equity investment in a subsidiary without losing control

The difference between the disposal proceeds and the share of the subsidiary's net assets corresponding to the disposed long-term equity investment calculated from the acquisition or consolidation date is adjusted in the share premium in the capital surplus in the consolidated balance sheet. If the share premium in the capital surplus is insufficient, the retained earnings are adjusted.

3.7 Classification of joint arrangements and accounting methods for joint operations

Joint arrangements are classified into joint operations and joint ventures.

Joint operation refers to a joint arrangement where the parties have rights to the assets and obligations for the liabilities related to the arrangement.

The Company recognises the following items related to its interest in joint operations:

- (1) Recognises the assets solely owned by the Company and jointly held assets based on the Company's share;
- (2) Recognises the liabilities solely undertaken by the Company and jointly undertaken liabilities based on the Company's share;
- (3) Recognises revenue generated from the sale of the Company's share of joint operation output;
- (4) Recognises revenue generated from the sale of joint operation output based on the Company's share;
- (5) Recognises expenses solely incurred by the Company and expenses incurred by the joint operation based on the Company's share.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.8 Criteria for determining cash and cash equivalents

Cash refers to the Company's cash on hand and deposits readily available for payment. Cash equivalents refer to short-term, highly liquid investments held by the Company that are easily convertible to known amounts of cash and have minimal risk of value changes.

3.9 Foreign currency transactions and foreign currency financial statement translation

Foreign currency transactions are translated into RMB at the spot exchange rate on the transaction date for bookkeeping.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. Exchange differences arising therefrom, except for those related to foreign currency borrowings for the acquisition or construction of qualifying assets and treated under the principle of capitalisation of borrowing costs, are recognised in the current profit or loss.

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

Based on the Company's business model for managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at initial recognition as: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through the current profit or loss.

The Company classifies financial assets as measured at amortised cost if they meet all the following conditions and are not designated as financial assets measured at fair value through the current profit or loss:

- The business model aims to collect contractual cash flows;
- Contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.1 Classification of financial instruments (continued)

The Company will classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value through the current profit or loss as financial assets measured at fair value through other comprehensive income (debt instruments):

- The business model aims to collect contractual cash flows and sell the financial asset;
- Contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For non-trading equity instrument investments, the Company may irrevocably designate them at initial recognition as financial assets measured at fair value through other comprehensive income (equity instruments). This designation is made on an individual investment basis, and the relevant investment meets the definition of an equity instrument from the issuer's perspective.

Apart from the financial assets measured at amortised cost and those measured at fair value through other comprehensive income mentioned above, the Company classifies all other financial assets as financial assets measured at fair value through the current profit or loss. At initial recognition, if it can eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate financial assets that should be classified as measured at amortised cost or at fair value through other comprehensive income as financial assets measured at fair value through the current profit or loss.

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

Financial liabilities that meet one of the following conditions may be designated at initial measurement as financial liabilities measured at fair value through the current profit or loss:

- 1) The designation can eliminate or significantly reduce accounting mismatches.
- 2) According to the formal written documents specifying the enterprise's risk management or investment strategy, financial liability portfolios or portfolios of financial assets and liabilities are managed and performance is evaluated based on fair value, and reports are made to key officers within the enterprise on this basis.
- 3) The financial liability includes embedded derivatives that need to be separated.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.2 Recognition criteria and measurement methods for financial instruments

(1) Financial assets measured at amortised cost

Financial assets measured at amortised cost include notes receivable, accounts receivable, other receivables, long-term receivables, and debt investments, which are initially measured at fair value, with related transaction costs included in the initial recognition amount. Accounts receivable without significant financing components and accounts receivable for which the Company decides not to consider financing components of no more than one year are initially measured at the transaction price of the contract.

Interest calculated using the effective interest method during the holding period is included in the current profit or loss.

Upon recovery or disposal, the difference between the proceeds received and the book value of the financial asset is included in the current profit or loss.

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

Financial assets (debt instruments) measured at fair value through other comprehensive income include financing of receivables, other debt investments, etc., which are initially measured at fair value, with related transaction costs included in the initial recognition amount. The financial asset is subsequently measured at fair value, with changes in fair value, except for interest calculated using the effective interest method, impairment losses or gains, and exchange gains or losses, included in other comprehensive income.

Upon derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the current profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.2 Recognition criteria and measurement methods for financial instruments (continued)

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

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity investments, initially measured at fair value, with related transaction costs included in the initial recognition amount. The financial asset is subsequently measured at fair value, with changes in fair value included in other comprehensive income. Dividends received are included in the current profit or loss.

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

- (4) Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through the current profit or loss include financial assets held for trading, derivative financial assets, and other non-current financial assets, initially measured at fair value, with related transaction costs included in the current profit or loss. The financial asset is subsequently measured at fair value, with changes in fair value included in the current profit or loss.

- (5) Financial liabilities measured at fair value through the current profit or loss

Financial liabilities measured at fair value through the current profit or loss include trading financial liabilities and derivative financial liabilities, initially measured at fair value, with related transaction costs recognised in the current profit or loss. These financial liabilities are subsequently measured at fair value, with changes in fair value recognised in the current profit or loss.

Upon derecognition, the difference between the book value and the consideration paid is recognised in the current profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.2 Recognition criteria and measurement methods for financial instruments (continued)

(6) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable, and long-term payables, initially measured at fair value, with related transaction costs included in the initial recognition amount.

Interest calculated using the effective interest method during the holding period is recognised in the current profit or loss.

Upon derecognition, the difference between the consideration paid and the book value of the financial liability is recognised in the current profit or loss.

3.10.3 Recognition basis and measurement method for derecognition and transfer of financial assets

The Company derecognises financial assets when any of the following conditions are met:

- Termination of contractual rights to receive cash flows from financial assets;
- Financial assets have been transferred, and almost all risks and rewards of ownership of the financial assets have been transferred to the transferee;
- Financial assets have been transferred, and although the Company has neither transferred nor retained almost all risks and rewards of ownership of the financial assets, it has not retained control over the financial assets.

If the Company modifies or renegotiates the contract with the counterparty and constitutes a substantial modification, the original financial asset is derecognised, and a new financial asset is recognised under the modified terms.

When financial assets are transferred, if almost all risks and rewards of ownership of the financial assets are retained, the financial assets are not derecognised.

When determining whether the transfer of financial assets meets the above conditions for derecognition, the principle of substance over form is applied.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.3 Recognition basis and measurement method for derecognition and transfer of financial assets (continued)

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

- (1) The book value of the transferred financial assets;
- (2) The consideration received from the transfer, plus the cumulative amount of changes in fair value directly included in shareholders' equity (in cases where the transferred financial assets are financial assets measured at fair value through other comprehensive income (debt instruments)).

If the partial transfer of financial assets meets the derecognition conditions, the book value of the transferred financial assets as a whole shall be allocated between the derecognised portion and the non-derecognised portion based on their respective relative fair values, and the difference between the following two amounts shall be included in the current profit or loss:

- (1) The book value of the derecognised portion;
- (2) The consideration for the derecognised portion, plus the amount corresponding to the derecognised portion in the cumulative fair value changes directly included in shareholders' equity (in cases where the transferred financial assets are financial assets measured at fair value and their changes are included in other comprehensive income (debt instruments)).

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

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.4 Derecognition of financial liabilities

If the current obligation of a financial liability is fully or partially discharged, the financial liability or its discharged portion shall be derecognised. If the Company enters into an agreement with the creditor to replace an existing financial liability with a new financial liability, and the contractual terms of the new financial liability are substantially different from those of the existing financial liability, the existing financial liability shall be derecognised, and the new financial liability shall be recognised simultaneously.

If the contractual terms of an existing financial liability are substantially modified in whole or in part, the existing financial liability or its modified portion shall be derecognised, and the financial liability under the modified terms shall be recognised as a new financial liability.

When a financial liability is fully or partially derecognised, the difference between the book value of the derecognised financial liability and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be included in the current profit or loss.

If the Company repurchases a portion of a financial liability, the book value of the financial liability as a whole shall be allocated on the reacquisition date based on the relative fair values of the portion to be derecognised and the portion to be continuously recognised. The difference between the book value allocated to the derecognised portion and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is included in the current profit or loss.

3.10.5 Methods for determining the fair value of financial assets and financial liabilities

Financial instruments with an active market are valued at their quoted prices in the active market to determine their fair value. Financial instruments without an active market are valued using valuation techniques to determine their fair value. In valuation, the Company uses valuation techniques applicable under current circumstances and supported by sufficient available data and other information, selecting input values consistent with the characteristics of assets or liabilities considered by market participants in transactions involving the relevant assets or liabilities, and prioritizing the use of relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are unavailable or impractical to obtain.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.6 Methods for testing impairment of financial instruments and accounting treatment methods

The Company conducts impairment accounting treatment based on expected credit losses for financial assets measured at amortised cost, financial assets measured at fair value with changes included in other comprehensive income (debt instruments), and financial guarantee contracts.

The Company considers reasonable and substantiated information regarding past events, current conditions, and forecasts of future economic conditions, calculating the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the expected cash flows receivable, weighted by the risk of default, to recognise expected credit losses.

For receivables and contract assets arising from transactions regulated by *Accounting Standards for Business Enterprises No. 14 – Revenue*, regardless of whether they contain significant financing components, the Company always measures their loss allowance at an amount equivalent to the expected credit losses over the entire duration.

For lease receivables arising from transactions regulated by the *Accounting Standard for Business Enterprises No. 21 – Leases*, the Company chooses to always measure its loss provision at an amount equal to the expected credit losses over the entire duration.

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

The Company determines the relative change in default risk over the expected duration of the financial instrument by comparing the risk of default at the balance sheet date with the risk at initial recognition to assess whether the credit risk has significantly increased since initial recognition. Generally, if overdue for more than 30 days, the Company considers the credit risk of the financial instrument to have significantly increased unless there is conclusive evidence that it has not.

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

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.6 Methods for testing impairment of financial instruments and accounting treatment methods (continued)

If the credit risk of the financial instrument has significantly increased since initial recognition, the Company measures its loss provision at an amount equal to the expected credit losses over the entire duration of the financial instrument; if the credit risk of the financial instrument has not significantly increased since initial recognition, the Company measures its loss provision at an amount equal to the expected credit losses over the next 12 months. The increase or reversal of the resulting loss provision is recognised as an impairment loss or gain in the current profit or loss. For financial assets (debt instruments) measured at fair value with changes included in other comprehensive income, the loss provision is recognised in other comprehensive income, and the impairment loss or gain is included in the current profit or loss without reducing the book value of the financial asset presented in the balance sheet.

If there is objective evidence that a receivable has suffered credit impairment, the Company makes an impairment provision for the receivable on an individual basis.

Apart from the specific bad debt provision for the above receivables, the Company divides other financial instruments into several portfolios based on credit risk characteristics to determine expected credit losses. The Company's portfolio categories and determination basis for expected credit losses on notes receivable, accounts receivable, and other receivables are as follows:

Item	Portfolio categories	Determination basis
Notes receivable	Portfolio of bank acceptance bill	Credit risk characteristics of subdivided acceptor groups
	Portfolio of commercial acceptance bill	Credit risk characteristics of subdivided acceptor groups
Accounts receivable	Portfolio of overdue days	Credit risk characteristics of segmented customers
	Portfolio of related party within consolidation scope	Credit risk characteristics of segmented customers
Other receivables	Portfolio of related party within consolidation scope	Credit risk characteristics of segmented customers
	Related party combination beyond consolidation scope	Credit risk characteristics of segmented customers
	Deposit and margin portfolio	Credit risk characteristics of segmented contracts
	Advance portfolio	Credit risk characteristics of segmented contracts
	Other portfolio	Credit risk characteristics of segmented contracts

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.10 Financial instruments (continued)

3.10.6 Methods for testing impairment of financial instruments and accounting treatment methods (continued)

If the Company no longer reasonably expects to recover all or part of the contractual cash flows of a financial asset, it directly writes down the carrying balance of the financial asset.

3.11 Inventory

3.11.1 Classification and cost of inventory

Inventory is classified as: turnover materials, stock commodities, dispatched goods.

Inventory is initially measured at cost, which includes purchase cost, processing cost, and other expenses incurred to bring the inventory to its current location and condition.

3.11.2 Valuation method for dispatched inventory

Inventory is valued using the first-in, first-out (FIFO) method when issued.

3.11.3 Inventory counting system

The perpetual inventory system is adopted.

3.11.4 Amortisation method for low-value consumables

Low-value consumables are expensed in full at once.

3.11.5 Recognition criteria and provision method for inventory write-downs

On the balance sheet date, inventory is measured at the lower of cost and net realizable value. If the inventory cost exceeds its net realizable value, a provision for inventory write-downs should be made. Net realizable value refers to the estimated selling price of inventory in the ordinary course of business, minus the estimated costs to complete, estimated selling expenses, and related taxes.

For finished goods, stock commodities, and materials held for sale, the net realizable value is determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes in the normal production and operation process. For materials inventory that requires processing, the net realizable value is determined by the estimated selling price of the finished goods minus the estimated costs to complete, estimated selling expenses, and related taxes in the normal production and operation process; for inventory held to execute sales contracts or service contracts, the net realizable value is calculated based on the contract price. If the quantity of inventory held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventory is calculated based on the general selling price.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.11 Inventory (continued)

3.11.5 Recognition criteria and provision method for inventory write-downs (continued)

After making provision for inventory write-downs, if the factors causing the previous write-down of inventory value have disappeared, resulting in the net realizable value of the inventory exceeding its book value, the write-down amount is reversed within the amount of the original provision, and the reversed amount is included in the current profit or loss.

3.12 Held for sale

A non-current asset or disposal group is classified as held for sale if its book value is recovered mainly through sale (including non-monetary asset exchanges with commercial substance) rather than through continued use.

The Company classifies non-current assets or disposal groups as held for sale if they simultaneously meet the following conditions:

- (1) The asset or disposal group can be sold immediately in its current condition according to the usual practices for selling such assets or disposal groups in similar transactions.
- (2) The sale is highly probable, meaning the Company has made a decision on a sale plan and obtained a firm purchase commitment, with the sale expected to be completed within one year. The sale has been approved by relevant authorities or regulatory authorities as required by relevant regulations.

If non-current assets or disposal groups classified as held for sale have a book value higher than the net amount of fair value minus selling expenses, the book value is written down to the net amount of fair value minus selling expenses. The amount written down is recognised as an asset impairment loss and included in the current profit or loss, while impairment provision for assets held for sale is made.

3.13 Long-term equity investments

3.13.1 Criteria for joint control and significant influence

Joint control refers to shared control over an arrangement according to relevant agreements, and decisions on relevant activities of the arrangement must be agreed upon by all parties sharing control. If the Company and other joint venture partners jointly control the investee and have rights to the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but not to control or jointly control the formulation of these policies with other parties. If the Company can exert significant influence over the investee, the investee is an associate of the Company.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.13 Long-term equity investments (continued)

3.13.2 Determination of initial investment cost

- (1) Long-term equity investment formed by business combinations

For long-term equity investments in subsidiaries formed by combinations of enterprises under common control, the initial investment cost of the long-term equity investments is determined on the combination date based on the share of the book value of the combinee's owner's equity in the consolidated financial statements of the ultimate controller. The difference between the initial investment cost of long-term equity investments and the book value of the consideration paid is adjusted in the share premium in the capital surplus; when the share premium in the capital surplus is insufficient to offset, the retained earnings are adjusted.

For long-term equity investments in subsidiaries formed by combinations of enterprises not under common control, the initial investment cost of the long-term equity investment is determined based on the combination cost identified on the acquisition date. When control can be exercised over the investee not under common control due to additional investments, the initial investment cost is the sum of the book value of the originally held equity investment and the cost of the new investment.

- (2) Long-term equity investments acquired through means other than enterprise combinations

For long-term equity investments acquired by paying cash, the actual purchase price paid is used as the initial investment cost.

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

3.13.3 Subsequent measurement and recognition methods of profit or loss

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

The Company accounts for long-term equity investments in subsidiaries using the cost method, unless the investment meets the conditions for being held for sale. Except for the actual payment or consideration paid at the time of investment that includes declared but unpaid cash dividends or profits, the Company recognises current investment income based on the cash dividends or profits declared and distributed by the investee.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.13 Long-term equity investments (continued)

3.13.3 Subsequent measurement and recognition methods of profit or loss (continued)

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

Long-term equity investments in associates and joint ventures are accounted for using the equity method. If the initial investment cost exceeds the share of the fair value of the identifiable net assets of the investee at the time of investment, the initial investment cost of the long-term equity investments is not adjusted; if the initial investment cost is less than the share of the fair value of the identifiable net assets of the investee at the time of investment, the difference is included in the current profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

The Company recognises investment income and other comprehensive income based on the share of net profit or loss and other comprehensive income realised by the investee, and adjusts the book value of the long-term equity investment accordingly; the portion of profits or cash dividends declared and distributed by the investee that the Company is entitled to reduces the book value of the long-term equity investment accordingly; for other changes in shareholders' equity of the investee, excluding net profit or loss, other comprehensive income, and profit distribution (referred to as "other changes in shareholders' equity"), the book value of the long-term equity investments is adjusted and included in shareholders' equity.

When recognizing the share of net profit or loss, other comprehensive income, and other changes in shareholders' equity of the investee, the fair value of the identifiable net assets of the investee at the time of investment is used as the basis, and adjustments are made to the net profit and other comprehensive income of the investee according to the Company's accounting policies and accounting periods before recognition.

Unrealised internal transaction gains and losses between the Company and associates or joint ventures are offset according to the proportion attributable to the Company, and investment income is recognised on this basis, except when the transferred or sold assets constitute a business. Unrealised internal transaction losses with the investee, which are asset impairment losses, are fully recognised.

The Company's net loss from joint ventures or associates is limited to reducing the book value of long-term equity investments and other long-term interests that essentially constitute net investments in joint ventures or associates to zero, unless there is an obligation to bear additional losses. When joint ventures or associates subsequently realise net profits, the Company resumes recognizing the share of profits after offsetting the unrecognised share of losses.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.13 Long-term equity investments (continued)

3.13.3 Subsequent measurement and recognition methods of profit or loss (continued)

(3) Disposal of long-term equity investments.

The difference between the book value of disposed long-term equity investments and the actual proceeds is included in the current profit or loss.

For partial disposal of long-term equity investments accounted for using the equity method, if the remaining equity is still accounted for using the equity method, other comprehensive income previously recognised under the equity method is transferred proportionally on the same basis as if the investee directly disposed of related assets or liabilities, and other changes in shareholders' equity are transferred proportionally to the current profit or loss.

When the loss of joint control or significant influence over the investee occurs due to disposal of equity investments, other comprehensive income recognised under the equity method is accounted for on the same basis as if the investee directly disposed of related assets or liabilities when the equity method is no longer used, and other changes in shareholders' equity are fully transferred to current profit or loss when the equity method is no longer used.

When the loss of control over the investee occurs due to partial disposal of equity investments, if the remaining equity can exert joint control or significant influence over the investee, it is adjusted to be accounted for using the equity method, and the remaining equity is treated as if it has been accounted for using the equity method since acquisition. Other comprehensive income recognised before obtaining control over the investee is transferred proportionally on the same basis as if the investee directly disposed of related assets or liabilities, and other changes in shareholders' equity recognised under the equity method are transferred proportionally to current profit or loss. If the remaining equity cannot exert joint control or significant influence over the investee, it is recognised as a financial asset, and the difference between its fair value on the date of loss of control and its book value is included in the current profit or loss. Other comprehensive income and changes in other shareholders' equity recognised before obtaining control over the investee are fully transferred.

When disposing of equity investments in subsidiaries through multiple transactions in steps until control is lost, if it is a package transaction, each transaction is accounted for as a disposal of equity investment in subsidiaries and loss of control. The difference between the disposal price of each transaction before losing control and the book value of the corresponding long-term equity investment is first recognised as other comprehensive income in the individual financial statements and then transferred to the current profit or loss when control is lost. If it is not a package transaction, each transaction is accounted for separately.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.14 Fixed assets

3.14.1 Recognition and initial measurement of fixed assets

Fixed assets refer to tangible assets held for the production of goods, provision of services, rental, or business management, with useful lives exceeding one accounting year. Fixed assets are recognised when the following conditions are met:

- (1) The economic benefits related to the fixed assets are likely to flow into the enterprise;
- (2) The cost of the fixed assets can be measured reliably.

Fixed assets are initially measured at cost (considering the impact of estimated disposal costs).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when it is probable that economic benefits related to them will flow in and their costs can be reliably measured. For the replaced part, its book value shall be derecognised. All other subsequent expenditures are included in the current profit or loss when incurred.

3.14.2 Depreciation method

Depreciation of fixed assets is calculated using the straight-line method, based on the category of fixed assets, estimated useful lives, and estimated residual value rate. For fixed assets with impairment provision, the depreciation amount in future periods is determined based on the book value after deducting the impairment provision and the remaining useful lives. If the useful lives of different components of fixed assets differ or provide economic benefits to the enterprise in different ways, different depreciation rates or methods are selected for depreciation.

The depreciation methods, useful lives, residual value rates, and annual depreciation rates for various types of fixed assets are as follows:

Category	Depreciation method	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	35-40	5	2.38-2.71
Medical equipment	Straight-line method	3-10	0-5	9.50-33.33
Transport vehicles	Straight-line method	4-10	5	9.50-23.75
Electronic and other equipment	Straight-line method	3-10	0-5	9.50-33.33

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.14 Fixed assets (continued)

3.14.3 Disposal of fixed assets

When fixed assets are disposed of or are expected to no longer generate economic benefits through use or disposal, the recognition of such fixed assets is terminated. The amount of disposal income from the sale, transfer, scrapping, or damage of fixed assets, after deducting its book value and related taxes, is included in the current profit or loss.

3.15 Construction in progress

Construction in progress is measured at actual cost incurred. Actual cost includes construction costs, installation costs, capitalizable borrowing costs, and other necessary expenditures incurred to bring the construction in progress to its intended usable state. Construction in progress is transferred to fixed assets when it reaches its intended usable state, and depreciation begins from the following month. The Company's standards and timing for transferring construction in progress to fixed assets are as follows:

Category	Criteria and timing for conversion to fixed assets
Buildings and structures	(1) Main construction and supporting projects are substantially completed.
	(2) Project has reached the intended usable state.
Medical equipment or electronic and other equipment requiring installation and debugging	(1) Equipment and facilities are fully installed.
	(2) Equipment debugging is completed.
	(3) Equipment has passed acceptance.

3.16 Borrowing costs

3.16.1 Principles for capitalisation of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction, or production of qualifying assets are capitalised and included in the cost of the related assets; other borrowing costs are recognised as expenses when incurred and included in the current profit or loss.

Qualifying assets are those that require a substantial period of acquisition, construction, or production activities to reach their intended usable or saleable state, such as fixed assets, investment properties, and inventories.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.16 Borrowing costs (continued)

3.16.2 Capitalisation period of borrowing costs

The capitalisation period refers to the period from the start of capitalisation of borrowing costs to the point of cessation, excluding any periods when capitalisation is suspended.

Capitalisation of borrowing costs begins when the following conditions are met:

- (1) Asset expenditure has occurred, including cash payments, transfers of non-cash assets, or incurrence of interest-bearing debt for the acquisition, construction, or production of qualifying assets.
- (2) Borrowing costs have been incurred.
- (3) The necessary acquisition, construction, or production activities to bring the asset to its intended usable or saleable state have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset is ready for its intended use or sale.

3.16.3 Suspension of capitalisation period

If the construction or production of assets eligible for capitalisation is abnormally interrupted for more than 3 consecutive months, borrowing costs will be suspended from capitalisation. If the interruption is necessary for the assets eligible for capitalisation to reach the intended usable or saleable state, borrowing costs will continue to be capitalised. Borrowing costs incurred during the interruption period are recognised as the current profit or loss until the construction or production activities of the assets resume, after which borrowing costs will continue to be capitalised.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.16 Borrowing costs (continued)

3.16.4 Calculation method for capitalisation rate and capitalisation amount of borrowing costs

For specific borrowings used to construct or produce assets eligible for capitalisation, the capitalisation amount of borrowing costs is determined by deducting the interest income from unused borrowed funds deposited in the bank or the investment income from temporary investments from the actual borrowing costs incurred during the period.

For general borrowings used to construct or produce assets eligible for capitalisation, the borrowing costs to be capitalised are calculated by multiplying the weighted average of asset expenditures exceeding the portion funded by specific borrowings by the capitalisation rate of general borrowings. The capitalisation rate is determined based on the weighted average actual interest rate of general borrowings.

During the capitalisation period, the exchange differences of principal and interest of foreign currency-specific borrowings are capitalised and included in the cost of assets eligible for capitalisation. Exchange differences arising from principal and interest of other foreign currency borrowings, except for foreign currency-specific borrowings, are recognised as the current profit or loss.

3.17 Intangible assets

3.17.1 Valuation method of intangible assets

- (1) The Company initially measures intangible assets at cost upon acquisition.

The cost of purchased intangible assets includes the purchase price, related taxes, and other expenditures directly attributable to bringing the asset to its intended use.

- (2) Subsequent measurement

Upon acquisition of intangible assets, it is required to analyze and determine their useful lives.

Intangible assets with finite useful lives are amortised over the period during which they bring economic benefits to the enterprise. Intangible assets for which the period of economic benefits to the enterprise cannot be foreseen are considered to have indefinite useful lives and are not amortised.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.17 Intangible assets (continued)

3.17.2 Estimate of useful lives for intangible assets with finite useful lives

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

3.17.3 Specific criteria for dividing research and development stages

Company internal R&D project expenses are divided into research stage expenses and development stage expenses.

Research stage: The stage of original planned investigation and research activities conducted to acquire and understand new scientific or technical knowledge.

Development stage: The stage of applying research results or other knowledge to a plan or design before commercial production or use, to produce new or substantially improved materials, devices, products, etc.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.18 Impairment of long-term assets

Long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with limited useful lives, oil and gas assets, and other long-term assets are tested for impairment if there are indications of impairment as of the balance sheet date. If the impairment test results show that the recoverable amount of an asset is lower than its book value, an impairment provision is made for the difference and recorded as impairment loss. Recoverable amount is the higher of the net amount of the asset's fair value minus disposal costs and the present value of the asset's estimated future cash flows. Impairment provision is calculated and recognised based on individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest portfolio of assets that can independently generate cash inflows.

For goodwill arising from business combinations, intangible assets with indefinite useful lives, and intangible assets not yet ready for use, impairment tests are conducted at least annually at the end of the year, regardless of whether there are indications of impairment.

The Company conducts goodwill impairment tests. For the book value of goodwill arising from business combinations, it is allocated to the relevant asset groups using a reasonable method from the acquisition date. If it is difficult to allocate to the relevant asset group, the Company will allocate it to the relevant combination of asset groups. The relevant asset group or asset group is the asset group or combination of asset groups. that can benefit from the synergies of the business combination.

When conducting impairment tests on the relevant asset group or combination of asset groups. containing goodwill, if there are signs of impairment in the asset group or combination of asset groups related to goodwill, it first conducts impairment tests on the asset group or combination of asset groups not containing goodwill, calculate the recoverable amount, and compare it with the relevant book value to confirm the corresponding impairment loss. Then conduct impairment tests on the asset group or combination of asset groups. containing goodwill, compare its book value with the recoverable amount, if the recoverable amount is lower than the book value, the impairment loss amount first offsets the book value of goodwill allocated to the asset group or combination of asset groups., and then proportionally offsets the book value of other assets in the asset group or combination of asset groups. based on the proportion of their book value.

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

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.19 Long-term deferred expenses

Long-term deferred expenses are expenses that have already occurred but should be borne by the current and future periods with an amortisation period of more than one year.

3.20 Contract liabilities

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

3.21 Employee benefits

3.21.1 Accounting treatment of short-term benefits

The Company recognises the actual short-term benefits incurred during the accounting period when employees provide services to the Company as liabilities and includes it in the current profit or loss or the cost of related assets.

The Company calculates and determines the corresponding amount of employee benefits based on the prescribed accrual basis and ratio during the accounting period when employees provide services to the Company, including social insurance fees and housing provident funds paid for employees, as well as union funds and employee education funds extracted as required.

Employee benefits incurred by the Company are included in the current profit or loss or the cost of related assets based on the actual amount incurred. Non-monetary benefits are measured at fair value.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.21 Employee benefits (continued)

3.21.2 Accounting treatment of post-employment benefits

(1) Defined contribution plan

The Company pays basic pension insurance and unemployment insurance for employees in accordance with relevant local government regulations. During the accounting period when employees provide services to the Company, the payable amount is calculated based on the local prescribed contribution base and ratio, recognised as liabilities, and included in the current profit or loss or the cost of related assets. In addition, the Company participates in enterprise annuity plans/supplementary pension insurance funds approved by relevant national authorities. The Company contributes to the annuity plan/local insurance institution based on a certain proportion of employees' total wages, and the corresponding expenses are included in the current profit or loss or the cost of related assets.

(2) Defined benefit plan

The Company attributes the benefit obligations arising from the defined benefit plan to the period during which employees provide services based on the formula determined by the projected unit credit method, and includes them in the current profit or loss or the cost of related assets.

The deficit or surplus formed by the present value of the defined benefit plan obligations minus the fair value of the defined benefit plan assets is recognised as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the Company measures the net asset of the defined benefit plan at the lower of the surplus and the asset ceiling of the defined benefit plan.

All defined benefit plan obligations, including those expected to be paid within twelve months after the end of the annual reporting period in which employees provide services, are discounted based on the market yield of government bonds or high-quality corporate bonds in active markets that match the term and currency of the defined benefit plan obligations as of the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.21 Employee benefits (continued)

3.21.2 Accounting treatment of post-employment benefits (continued)

(2) Defined benefit plan (continued)

The service cost arising from the defined benefit plan and the net interest of the net liability or net asset of the defined benefit plan are included in the current profit or loss or the cost of related assets. Changes arising from the remeasurement of the net liability or net asset of the defined benefit plan are included in other comprehensive income and are not reclassified to profit or loss in subsequent accounting periods. When the original defined benefit plan is terminated, the portion previously included in other comprehensive income is fully transferred to retained earnings within equity.

When settling the defined benefit plan, the difference between the present value of the defined benefit plan obligations determined on the settlement date and the settlement price is recognised as a settlement gain or loss.

3.21.3 Accounting treatment method for termination benefits

The Company recognises the liability for remuneration arising from termination benefits at the earlier of the following two dates and includes it in the current profit or loss: when the Company cannot unilaterally withdraw the termination benefits provided due to the plan to terminate employment or the suggestion to reduce staff; when the Company recognises the costs or expenses related to the restructuring involving the payment of termination benefits.

3.22 Provisions

When the obligations related to contingent matters simultaneously meet the following conditions, the Company recognises them as provisions:

- (1) The obligation is a present obligation undertaken by the Company;
- (2) It is probable that fulfilling the obligation will lead to an outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.22 Provisions (continued)

Provisions are initially measured at the best estimate of the expenditure required to fulfill the related present obligation.

In determining the best estimate, factors such as risks, uncertainties, and the time value of money related to contingent matters are comprehensively considered. For significant impacts of the time value of money, the best estimate is determined by discounting the relevant future cash outflows.

If the expenditure required to settle a provision is expected to be partially or fully reimbursed by a third party, the reimbursement amount is recognised as an asset when it is virtually certain to be received. The recognised reimbursement amount does not exceed the book value of the provision.

The Company reviews the book value of provisions at the balance sheet date. If there is conclusive evidence that the book value cannot reflect the current best estimate, it is adjusted based on the current best estimate.

3.23 Share-based payments

The Company's share-based payments are transactions in which equity instruments are granted or liabilities based on equity instruments are undertaken to acquire services from employees or other parties. The Company's share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.23 Share-based payments (continued)

3.23.1 Equity-settled share-based payments and equity instruments

For equity-settled share-based payments in exchange for employee services, they are measured at the fair value of the equity instruments granted to employees. For share-based payment transactions that can be exercised immediately after grant, the fair value of the equity instruments is included in the relevant costs or expenses on the grant date, with a corresponding increase in the capital surplus. For share-based payment transactions that can only be exercised after completing the service during the vesting period or meeting specified performance conditions, on each balance sheet date during the vesting period, the Company includes the services obtained in 2025 in the relevant costs or expenses based on the best estimate of the number of exercisable equity instruments, measured at the fair value on the grant date, with a corresponding increase in the capital surplus.

During the vesting period, if the granted equity instruments are canceled, the Company treats the cancellation as an accelerated vesting, immediately including the amount to be recognised in the remaining vesting period in the current profit or loss, while recognizing capital surplus. However, if new equity instruments are granted and it is determined on the grant date that the new equity instruments are granted to replace the canceled equity instruments, the replacement equity instruments shall be treated in the same manner as the modification of the terms and conditions of the original equity instruments.

3.23.2 Cash-settled share-based payments and equity instruments

Cash-settled share-based payments are measured at the fair value of the liabilities calculated based on shares or other equity instruments assumed by the Company. For share-based payment transactions that are exercisable immediately after the grant, the Company recognises the fair value of the liabilities on the grant date as related costs or expenses, and correspondingly increases liabilities. For share-based payment transactions that can only be exercised after completing the service during the vesting period or meeting the specified performance conditions, on each balance sheet date during the vesting period, the Company recognises the services received during the period as related costs or expenses based on the best estimate of the exercisable situation and the fair value of the liabilities assumed by the Company, and correspondingly includes them in liabilities. Before the settlement of the related liabilities, on each balance sheet date and settlement date, the fair value of the liabilities is remeasured, and the changes are included in the current profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.23 Share-based payments (continued)

3.23.2 Cash-settled share-based payments and equity instruments (continued)

If the Company modifies the terms and conditions of a cash-settled share-based payment agreement to make it an equity-settled share-based payment, on the modification date (whether during or after the vesting period), the Company measures the equity-settled share-based payment at the fair value of the equity instruments granted on that day, recognises the services received as the capital surplus, and terminates the recognition of the liabilities confirmed for the cash-settled share-based payment on the modification date. The difference between the two is included in the current profit or loss. If the modification extends or shortens the vesting period, the Company accounts for it based on the modified vesting period.

3.24 Revenue

3.24.1 Accounting policies for revenue recognition and measurement

The Company recognises revenue upon fulfilling the performance obligations in the contract, that is, when customers obtain control of the relevant goods or services. Obtaining control of the relevant goods or services means being able to direct the use of the goods or services and derive almost all economic benefits from them.

For contracts containing two or more performance obligations, the Company allocates the transaction price to each individual performance obligation based on the relative proportion of the standalone selling price of the goods or services promised for each obligation at the contract commencement date. The Company measures revenue based on the transaction price allocated to each performance obligation.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.24 Revenue (continued)

3.24.1 Accounting policies for revenue recognition and measurement (continued)

The transaction price refers to the amount of consideration the Company expects to be entitled to for transferring goods or services to customers, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers. The Company determines the transaction price based on contract terms and its customary practices, considering factors such as variable consideration, significant financing components in the contract, non-cash consideration, and payable consideration to customers. The Company determines the transaction price including variable consideration as the amount that is highly probable not to result in significant revenue reversal once the related uncertainties are resolved. For contracts with significant financing components, the Company determines the transaction price as the amount payable assuming customers pay in cash upon obtaining control of the goods or services, and amortises the difference between the transaction price and the contract consideration using the effective interest method over the contract period.

Meeting any of the following conditions constitutes fulfilling performance obligations over a period; otherwise, it constitutes fulfilling performance obligations at a point in time:

- Customers simultaneously obtain and consume the economic benefits arising from the Company's performance when the Company fulfills its obligations.
- Customers can control goods under construction during the Company's performance.
- Goods produced during the Company's performance have irreplaceable uses, and the Company has the right to receive payment for the completed performance throughout the contract period.

For performance obligations fulfilled over a period, the Company recognises revenue based on the progress of performance during that period, except when the progress cannot be reasonably determined. The Company considers the nature of goods or services and uses the output method or input method to determine the progress of performance. When the progress of performance cannot be reasonably determined, and the incurred costs are expected to be compensated, the Company recognises revenue based on the amount of costs incurred until the progress can be reasonably determined.

For performance obligations fulfilled at a point in time, the Company recognises revenue when customers obtain control of the relevant goods or services. In determining whether customers have obtained control of goods or services, the Company considers the following indicators:

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.24 Revenue (continued)

3.24.1 Accounting policies for revenue recognition and measurement (continued)

- The Company has the current right to receive payment for the goods or services, meaning customers have the current obligation to pay for them.
- The Company has transferred legal ownership of the goods to customers, meaning customers have legal ownership of the goods.
- The Company has physically transferred the goods to customers, meaning customers have physical possession of the goods.
- The Company has transferred the main risks and rewards of ownership of the goods to the customers, meaning the customers have obtained the main risks and rewards of ownership of the goods.
- The customers have accepted the goods or services.

The Company determines whether it acts as the principal or the proxy in a transaction based on whether it has control over the goods or services before transferring them to the customers. If the Company can control the goods or services before transferring them to the customers, it acts as the principal and recognises revenue based on the total consideration received or receivable; otherwise, the Company acts as the proxy and recognises revenue based on the expected commission or fee it is entitled to receive.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.24 Revenue (continued)

3.24.2 Specific revenue recognition methods and measurement methods disclosed based on the business type

(1) Revenue from diagnosis and medical services

Revenue from diagnosis and medical services includes diagnosis revenue, other medical service revenue, and appraisal service revenue. The Company provides various professional medical services to service recipients and recognises the related revenue when the medical services have been provided and payment or unconditional collection rights have been obtained. If the Company has received payments from service recipients but has not yet provided diagnosis-related medical services, such payments are recognised as receipts in advance.

(2) Revenue from wholesale and retail of pharmaceuticals and medical devices

The Company sells pharmaceuticals to customers through wholesale or retail, and recognises revenue when customers confirm the purchase.

(3) Management service revenue

Management service revenue is recognised over the contract period as the Company obtains the right to payment for the completed performance obligations.

(4) Property rental income

Property rental income is recognised on a straight-line basis according to the terms of contracts or agreements with tenants.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.25 Government grants

3.25.1 Type

Government grants are monetary or non-monetary assets obtained by the Company from the government without compensation, divided into asset-related government grants and income-related government grants.

Asset-related government grants refer to those obtained by the Company for the purchase, construction, or formation of long-term assets. Income-related government grants refer to government grants other than those related to assets.

3.25.2 Recognition timing

Government grants are recognised when the Company can meet the attached conditions and receive them.

3.25.3 Accounting treatment

Asset-related government grants offset the book value of the related assets or are recognised as deferred income. Where such grants are recognised as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (if such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating revenue);

Income-related government grants to be used as compensation for future expenses or losses are recognised as deferred income and are recorded in the current profit or loss where the relevant expenses or losses are recognised (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating revenue) or offset the related expenses or losses; those to be used as compensation for incurred expenses or losses are recorded in the current profit or loss (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating revenue) or will offset the related expenses or losses.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.25 Government grants (continued)

3.25.3 Accounting treatment (continued)

The Company's policy-based preferential loan interest subsidies are accounted for separately in the following two situations:

- (1) If the financial department allocates the interest subsidy funds to the lending bank, and the lending bank provides loans to the Company at a policy-based preferential interest rate, the Company uses the actual amount of the loan received as the book value of the loan and calculates the related borrowing costs based on the loan principal and the policy-based preferential interest rate.
- (2) The government directly allocates the interest subsidy funds to the Company, and the Company offsets the corresponding interest subsidy against related borrowing costs.

3.26 Deferred tax assets and deferred tax liabilities

Income tax includes current income tax and deferred income tax. Except for income tax arising from business combinations and transactions or matters directly recorded in shareholders' equity (including other comprehensive income), the Company includes current income tax and deferred income tax in the current profit or loss.

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the difference (temporary difference) between the tax base of assets and liabilities and their book value.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable income will be available to offset the deductible temporary differences. For deductible losses and tax credits that can be carried forward to future years, deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset the deductible losses and tax credits.

Deferred tax liabilities are recognised for taxable temporary differences, except in special circumstances.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.26 Deferred tax assets and deferred tax liabilities (continued)

Special circumstances where deferred tax assets or deferred tax liabilities are not recognised include:

- Initial recognition of goodwill;
- Neither a business combination nor affects accounting profit and taxable income (or deductible loss) at the time of occurrence, and the initially recognised assets and liabilities do not result in equal taxable temporary differences and deductible temporary differences.

For taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, deferred tax liabilities are recognised unless the Company can control the timing of the reversal of the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future. For deductible temporary differences related to investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised when the temporary difference is likely to reverse in the foreseeable future and there is likely to be taxable income available to offset the deductible temporary differences.

On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the expected period of recovery of the related assets or settlement of the related liabilities according to tax laws.

On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is unlikely that sufficient taxable income will be available in future periods to offset the benefits of deferred tax assets, the book value of deferred tax assets is written down. The written-down amount is reversed when sufficient taxable income is likely to be obtained.

When there is a legal right to settle on a net basis and the intention is to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are presented at the offset net amount.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.26 Deferred tax assets and deferred tax liabilities (continued)

On the balance sheet date, deferred tax assets and deferred tax liabilities are presented at the offset net amount when the following conditions are met:

- The taxpayer has a legal right to settle current tax assets and current tax liabilities on a net basis;
- Deferred tax assets and deferred tax liabilities are related to income tax levied by the same tax authority on the same taxpayer or different taxpayers, but during each significant period of reversal of deferred tax assets and liabilities in the future, the taxpayers involved intend to settle current tax assets and liabilities on a net basis or simultaneously acquire assets and settle liabilities.

3.27 Leases

A lease is a contract in which the lessor transfers the right to use an asset to the lessee for a period in exchange for consideration. On the commencement date of the contract, the Company assesses whether the contract is a lease or contains a lease. If one party in the contract transfers the right to control the use of one or more identified assets for a period in exchange for consideration, the contract is a lease or contains a lease.

If the contract contains multiple separate leases, the Company will split the contract and account for each separate lease individually. If the contract contains both lease and non-lease components, the lessee and lessor will split the lease and non-lease components.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.1 The Company as lessee

(1) Right-of-use assets

On the lease commencement date, the Company recognises right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost. The cost includes:

- The initial measurement amount of lease liabilities;
- Lease payments made on or before the lease commencement date, less any lease incentives received;
- Initial direct costs incurred by the Company;
- Estimated costs to dismantle and remove the leased asset, restore the site, or restore the asset to the condition required by the lease terms, excluding costs for inventory production.

The Company subsequently depreciates right-of-use assets on a straight-line basis. For leases where ownership is reasonably certain to transfer at the end of the lease term, the Company depreciates over the remaining useful lives of the assets; otherwise, depreciation is over the shorter of the lease term or the remaining useful lives of the assets.

The Company determines impairment of right-of-use assets according to the principles in Note 3.18 “Impairment of Long-term Assets” and accounts for any identified impairment losses.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.1 The Company as lessee (continued)

(2) Lease liabilities

On the lease commencement date, the Company recognises lease liabilities for leases other than short-term leases and low-value asset leases. Lease liabilities are initially measured at the present value of lease payments not yet paid. Lease payments include:

- Fixed payments (including substantially fixed payments), less any lease incentives if lease incentives exist;
- Variable lease payments dependent on an index or rate;
- Amounts expected to be paid under residual value guarantees provided by the Company;
- Exercise price of purchase options, provided the Company is reasonably certain to exercise the option;
- Payments required to exercise the option to terminate the lease, provided the lease term reflects the Company will exercise the option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate, but if it cannot be reasonably determined, the Company's incremental borrowing rate is used as the discount rate.

The Company calculates interest expenses on lease liabilities during each period of the lease term using a fixed periodic interest rate and includes them in the current profit or loss or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities are recognised in the current profit or loss or the cost of related assets when incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.1 The Company as lessee (continued)

(2) Lease liabilities (continued)

After the lease commencement date, if the following circumstances occur, the Company remeasures the lease liabilities and adjusts the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero but the lease liabilities still need further reduction, the difference will be recognised in the current profit or loss:

- When the assessment results of purchase options, renewal options, or termination options change, or the actual exercise of these options is inconsistent with the original assessment, the Company remeasures the lease liabilities based on the present value calculated using the changed lease payments and the revised discount rate.
- When the amount of substantially fixed payments changes, the estimated payable amount of the guaranteed residual value changes, or the index or rate used to determine lease payments changes, the Company remeasures the lease liabilities based on the present value calculated using the revised lease payments and the original discount rate. However, if the change in lease payments is due to changes in floating interest rates, the present value is calculated using the revised discount rate.

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

The Company chooses not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The related lease payments are recognised in the current profit or loss or the cost of related assets on a straight-line basis over the lease term. Short-term leases refer to the leases where the lease term does not exceed 12 months and does not include purchase options on the lease commencement date. Leases of low-value assets refer to leases where the value of individual leased assets is relatively low when the assets are brand new. If the Company subleases or expects to sublease leased assets, the original lease is not classified as a lease of low-value assets.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.1 The Company as lessee (continued)

(4) Lease change

When a lease change occurs and meets the following conditions simultaneously, the Company accounts for the lease change as a separate lease:

- The lease change expands the lease scope by granting the right to use one or more additional leased assets.
- The additional consideration is equivalent to the adjusted standalone price for the expanded lease scope under the contract.

If the lease change is not accounted for as a separate lease, the Company reallocates the consideration of the modified contract, redefines the lease term, and remeasures the lease liabilities at the present value of the modified lease payments using the revised discount rate on the effective date of the lease change.

If the lease change results in a reduction of the lease scope or a shortening of the lease term, the Company correspondingly reduces the book value of the right-of-use assets and recognises the related gain or loss from partial or complete lease termination in the current profit or loss. For other lease changes that lead to the remeasurement of lease liabilities, the Company correspondingly adjusts the book value of the right-of-use assets.

3.27.2 The Company as a lessor

On the lease commencement date, the Company classifies leases as finance leases or operating leases. Finance lease refers to a lease that transfers substantially all the risks and rewards related to the ownership of leased assets, regardless of whether the ownership is ultimately transferred. Operating lease refers to leases other than finance leases. When the Company acts as a sub-lessor, it classifies the sublease based on the right-of-use asset arising from the original lease.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.2 The Company as a lessor (continued)

(1) Accounting treatment of operating lease

Lease receipts from operating leases are recognised as rental income on a straight-line basis over the lease term. The Company capitalises initial direct costs related to operating leases and allocates them to the current profit or loss on the same basis as rental income recognition over the lease term. Variable lease payments not included in lease receipts are recognised in the current profit or loss when incurred. When an operating lease is modified, the Company treats it as a new lease from the effective date of the modification, and any prepaid or receivable lease receipts related to the lease before modification are considered as receipts of the new lease.

(2) Accounting treatment of finance lease

On the lease commencement date, the Company recognises finance lease receivables and derecognises finance lease assets. At initial measurement of receivables from finance leases, the Company records the net investment in the lease as the book value of the receivables. The net investment in the lease is the sum of the present value of the unguaranteed residual value and the lease payments not yet received at the lease commencement date, discounted at the interest rate implicit in the lease.

The Company calculates and recognises interest income for each period during the lease term using a fixed periodic rate. Derecognition and impairment of receivables from finance leases are accounted for in accordance with Note 3.10 Financial Instruments.

Variable lease payments not included in the measurement of the net investment in the lease are recognised in the current profit or loss when incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.2 The Company as a lessor (continued)

(2) Accounting treatment of finance lease (continued)

If a change in a finance lease meets the following conditions, the Company accounts for the change as a separate lease:

- The change expands the scope of the lease by adding the right to use one or more underlying assets;
- The consideration for the increase is commensurate with the standalone price for the increase in scope, adjusted for the circumstances of the contract.

If a change in a finance lease is not accounted for as a separate lease, the Company handles the changed lease as follows:

- If the change is effective at the lease commencement date and the lease is classified as an operating lease, the Company accounts for it as a new lease from the effective date of the change, using the net investment in the lease before the effective date as the book value of the lease asset.
- If the change takes effect on the lease commencement date and the lease is classified as a finance lease, the Company accounts for it in accordance with the policy on contract modification or renegotiation described in “Note 3.10 Financial Instruments”.

3.27.3 Sale and leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale and leaseback transaction constitutes a sale in accordance with the principles described in Note 3. 24 Revenue.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.27 Leases (continued)

3.27.3 Sale and leaseback transaction (continued)

(1) As the lessee

If the asset transfer in the sale and leaseback transaction constitutes a sale, the Company, as lessee, measures the right-of-use asset formed by the sale and leaseback based on the portion of the original asset's book value related to the right-of-use obtained through the leaseback, and recognises gains or losses only for the rights transferred to the lessor.

After the lease commencement date, the subsequent measurement of the right-of-use asset and lease liability, as well as lease changes, are detailed in "Note 3.27 Leases-3.27.1 the Company as the lessee". When subsequently measuring the lease liability formed by the sale and leaseback, the Company ensures that the method for determining lease payments or modified lease payments does not result in recognizing gains or losses related to the right-of-use obtained through the leaseback.

If the asset transfer in the sale and leaseback transaction does not constitute a sale, the Company, as lessee, continues to recognise the transferred asset and simultaneously recognises a financial liability equal to the transfer income. The accounting treatment of financial liabilities is detailed in "Note 3.10 Financial Instruments".

(2) As the lessor

If asset transfer in a sale and leaseback transaction qualifies as a sale, the Company, as lessor, accounts for asset purchase and leases the asset according to the policy "2. the Company as a lessor". If asset transfer in a sale and leaseback transaction does not qualify as a sale, the Company, as the lessor, does not recognise the transferred asset but recognises a financial asset equal to the transfer income. For accounting treatment of financial assets, see Note 3.10 Financial Instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.28 Repurchase of the Company's shares.

The Company uses the cost method for accounting treatment of share repurchase, see Note 5.37.

3.29 Method and basis for determining materiality standards

Item	Significance standards
Significant receivables with individual provision for bad debts	Individual provision amount accounts for more than 10% of total provision for bad debts for various receivables and exceeds RMB1 million;
Recovery or reversal of bad debt provision for significant receivables	Individual recovery amount accounts for more than 10% of total receivables and exceeds RMB1 million;
Actual write-off of significant receivables	Individual write-off amount accounts for more than 10% of total provision for bad debts for receivables and exceeds RMB1 million;
Significant accounts payable and other payables	Individual accounts payable/other payables aged over 1 year accounts for more than 10% of total accounts payable/other payables and exceeds RMB1 million;
Significant construction in progress	Single project budget exceeds RMB5 million;
Significant non-wholly owned subsidiary	Subsidiary's net assets account for more than 5% of group net assets, or single subsidiary minority shareholders' equity accounts for more than 1% of group net assets and exceeds RMB15 million;
Significant investment activities	Individual investment activities account for more than 10% of the total cash inflows or outflows related to investment activities and exceed RMB20 million.
Significant joint ventures or associates	The book value of long-term equity investments in a single investee accounts for more than 5% of the group's net assets and exceeds RMB20 million, or the investment income under the equity method accounts for more than 10% of the Group's consolidated net profit.
Significant subsidiaries	The net assets of a subsidiary account for more than 5% of the group's net assets, or the net profit of a subsidiary accounts for more than 10% of the group's consolidated net profit.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.30 Key accounting estimates and judgments

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

1. *Estimate of variable consideration for revenue*

As described in Note 3.24, on each balance sheet date, the Company determines the best estimate of variable consideration based on the maximum amount agreed upon with relevant patients, the actual medical expenses exceeding the maximum amount in previous years, and the poverty situation of relevant patients at the time of treatment. Variable consideration included in the transaction price is limited to the amount that is highly unlikely to result in a significant reversal of cumulative revenue recognised when the uncertainty related to the variable consideration is resolved.

2. *Estimate of goodwill impairment provision*

According to the accounting policy described in Note 3.18, the Company conducts an annual impairment test on goodwill. The recoverable amount of asset groups and combination of asset groups containing goodwill is the present value of their expected future cash flows, which requires accounting estimates (see Note 5.16).

If the management revises the pre-tax profit margin or pre-tax discount rate used in the calculation of future cash flows for asset groups and combination of asset groups, and the revised pre-tax profit margin is lower than the current gross margin or the revised pre-tax discount rate is higher than the current discount rate, the Company needs to increase the provision for goodwill impairment. If the actual pre-tax profit margin is higher or the pre-tax discount rate is lower than management's estimate, the Company cannot reverse the previously recognised goodwill impairment loss.

3. *Estimate of recognition for deferred tax asset*

The estimate of deferred tax assets requires estimating the taxable income and applicable tax rates for each future year, and the realization of deferred tax assets depends on whether the Company is likely to generate sufficient taxable income in the future. Changes in future tax rates and the timing of reversal of temporary differences may also affect income tax expense (benefit) and the balance of deferred tax. Changes in the above estimates may lead to significant adjustments to deferred tax.

4. *Measurement of financial assets at fair value with changes included in the current profit or loss*

In 2025, the Company acquired equity related to Wenzhou Deci Care Service Co., Ltd. (formerly known as "Wenzhou Sishun Housekeeping Co., Ltd."). The transaction consideration included performance commitment clauses forming variable consideration, which was determined as financial liabilities held for trading. As of the end of this report period, management calculated the discounted future cash flows of the variable consideration based on the expected realization of performance commitments with the counterparty, and determined the future cash flows of the variable consideration accordingly. See Note 10.2 for details.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

3 Significant accounting policies and accounting estimates (continued)

3.31 Changes in significant accounting policies and accounting estimates

3.31.1 Changes in significant accounting policies

On 8 July 2025, the Ministry of Finance issued an implementation Q&A on accounting treatment for standard warehouse receipt transactions. It clarified that, according to the financial instrument recognition and measurement standards, enterprises frequently signing contracts to buy and sell standard warehouse receipts in futures trading venues to earn price differences without extracting the physical goods corresponding to the receipts usually indicate a practice of reselling the contract subject in the short term to gain profits from short-term fluctuations. Enterprises should treat such contracts for buying and selling standard warehouse receipts as financial instruments and account for them according to the financial instrument recognition and measurement standards. Enterprises obtaining standard warehouse receipts under the aforementioned contracts and reselling them in the short term should not recognise sales revenue but should include the difference between the consideration received and the book value of the sold standard warehouse receipts in investment income. Enterprises holding unsold standard warehouse receipts as at 31 December 2025 should report them as other current assets. For standard warehouse receipts obtained under the aforementioned contracts, if accounting mismatches can be eliminated or significantly reduced, enterprises may choose to measure them at fair value with changes included in the current profit or loss upon initial recognition and consistently apply this choice to all standard warehouse receipts meeting the selection criteria. For standard warehouse receipts initially recognised as measured at fair value with changes included in the current profit or loss, enterprises may not revoke this choice in subsequent periods.

According to the requirements of the *Notice on Strictly Implementing Enterprise Accounting Standards and Effectively Preparing Enterprise 2025 Annual Reports* (CK [2025] No. 33), enterprises adjusting accounting treatment methods due to the implementation of the aforementioned standard warehouse receipt-related regulations should adjust the comparable period information in the financial statements.

The Company did not engage in standard warehouse receipt transactions during the reporting period, so the adoption of this regulation did not affect the Company's financial condition and operating results.

3.31.2 Changes in significant accounting estimates

The Company's main accounting estimates did not change during this report period.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

4 Tax items

4.1 Main tax types and rates

Tax types	Tax basis	Tax rate
Value-added tax	The output tax amount is calculated based on the sales of goods and taxable labor income as stipulated by tax law, and the difference after deducting the deductible input tax amount for the current period is the payable value-added tax.	3%, 6%, 13%
Urban maintenance and construction tax	Based on the actual turnover tax paid	7%
Education surcharge	Based on the actual turnover tax paid	5%
Enterprise income tax	Based on taxable income	15%, 20%, 25%

Disclosure of circumstances for entities with different enterprise income tax rates

Name of taxpayer	Income tax rate
Wenzhou Kangning Hospital Co., Ltd.	15%
Zhejiang Jerinte Health Technology Co., Ltd.	15%
Wenzhou Kangning Judicial Forensic Centre	20%
Hangzhou Cining Hospital Co., Ltd.	20%
Wenzhou Deci Care Service Co., Ltd.	20%
Wenzhou Deci Nursing Station Co., Ltd.	20%

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

4 Tax items (continued)

4.2 Tax incentives

1. Pursuant to the relevant requirements under the *Circular of the Ministry of Finance and the State Taxation Administration on the Overall Promotion of Pilot Program of Levying VAT instead of Business Tax* (CS [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and its subsidiaries comply with the provisions of the *Administrative Measures on Medical Institutions* (Order of the State Council No. 149) issued by the State Council and the *Implementation Measures of the Administrative Measures on Medical Institutions* (Order of the Ministry of Health No. 35) issued by the Ministry of Health and the medical services provided by them are exempted from value-added tax upon the registration and obtaining the *Medical Institution Practicing License*.
2. Pursuant to relevant tax regulations, during the Reporting Period, the income from judicial forensic services provided by the Wenzhou Kangning Judicial Forensic Centre, a subsidiary of the Company, shall be subject to VAT at the rate of 3%.
3. Pursuant to the *Measures for the Implementation of the Pilot Plan for Levying VAT in Place of Business Tax under the Circular of the Ministry of Finance and the State Taxation Administration on the Overall Promotion of Pilot Program of Levying VAT instead of Business Tax* (CS [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, during the Reporting Period, the income from rendering of management and consultation services provided by the Company and its subsidiaries was subject to VAT at the rate of 6% or a levy rate of 3%.
4. The Company obtained the *High-tech Enterprise Certificate* (No. GR202433013060) issued by the Department of Science and Technology of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the Company was subject to the reduced enterprise income tax rate of 15% from 1 January 2025 to 31 December 2027.
5. On 8 December 2023, Zhejiang Jerinte Health Technology Co., Ltd., a subsidiary of the Company, obtained the *High-tech Enterprise Certificate* (No. GR202333001809) issued by the Department of Science and Technology of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the Company was subject to the reduced enterprise income tax rate of 15% from 1 January 2023 to 31 December 2026.
6. According to the *Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No.6), for small low-profit enterprises, the part of annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a rate of 20%.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements

5.1 Cash at bank and on hand

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Cash on hand	231,487.96	192,804.35
Bank deposit	287,835,608.12	255,642,342.05
Other cash at bank and on hand	5,972,764.80	5,913,864.22
Total	294,039,860.88	261,749,010.62

Other notes:

As at 31 December 2025, the Company's restricted cash at bank and on hand amounted to RMB6,365,109.43 in total, including: performance bond, foreign exchange supervision account funds, etc. See Note 5.20 for details.

5.2 Financial assets held for trading

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Financial assets measured at fair value through the current profit or loss	8,573,388.20	7,938,322.41
Including: investment in equity instruments	8,573,388.20	7,938,322.41
Total	8,573,388.20	7,938,322.41

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.3 Notes receivable

5.3.1 Presentation of notes receivable by categories

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Bank acceptance bill	1,486,564.55	663,798.83
Total	1,486,564.55	663,798.83

5.3.2 Disclosure under methods of provision for bad debts by category

Category	Balance as at 31 December 2025				Balance as at 31 December 2024					
	Book balance		Provision for bad debts		Book balance		Provision for bad debts			
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	
Provision for bad debts made on the basis of portfolio with credit risk characteristics	1,486,564.55	100.00			1,486,564.55	663,798.83	100.00			663,798.83
Wherein:										
Bank acceptance bill portfolio	1,486,564.55	100.00			1,486,564.55	663,798.83	100.00			663,798.83
Total	1,486,564.55	100.00			1,486,564.55	663,798.83	100.00			663,798.83

5.3.3 As at 31 December 2025, the Company's endorsed or discounted and not yet due notes receivable

Item	Amount derecognised as at 31 December 2025	Amount derecognised as at 31 December 2025
Bank acceptance bill		429,217.10
Total		429,217.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.4 Accounts receivable

5.4.1 Accounts receivable by aging

Aging	Balance as at 31 December 2025	Balance as at 31 December 2024
Within 1 year (including 1 year)	461,352,554.54	576,106,513.42
1 to 2 years	25,588,614.28	20,258,896.20
2 to 3 years	8,844,667.79	4,413,821.89
More than 3 years	7,368,906.35	4,766,339.71
Subtotal	503,154,742.96	605,545,571.22
Less: provision for bad debts	40,215,173.14	33,732,614.25
Total	462,939,569.82	571,812,956.97

The Company's accounts receivable are analyzed by aging based on the month when the payment actually occurs, and the payment that occurs first is settled in priority when the funds are recovered.

5.4.2 Disclosure under the methods of provision for bad debts by category

Category	Balance as at 31 December 2025				Balance as at 31 December 2024					
	Book balance		Provision for bad debts		Book balance		Provision for bad debts			
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	
Provision for bad debts										
on an individual basis	15,171,843.80	3.02	15,171,843.80	100.00	12,375,105.95	2.04	12,337,791.47	99.70	37,314.48	
Including:										
Patient's medical expenses arrears	15,171,843.80	3.02	15,171,843.80	100.00	12,375,105.95	2.04	12,337,791.47	99.70	37,314.48	
Provision for bad debts based										
on credit risk characteristics	487,982,899.16	96.98	25,043,329.34	5.13	462,939,569.82	97.96	21,394,822.78	3.61	571,775,642.49	
Including:										
Overdue days portfolio	487,982,899.16	96.98	25,043,329.34	5.13	462,939,569.82	97.96	21,394,822.78	3.61	571,775,642.49	
Total	503,154,742.96	100.00	40,215,173.14	/	462,939,569.82	605,545,571.22	100.00	33,732,614.25	/	571,812,956.97

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.4 Accounts receivable (continued)

5.4.2 Disclosure under the methods of provision for bad debts by category (continued)

Accounts receivable with significant provision for bad debts made on an individual basis:

Name	Balance as at 31 December 2025				Balance as at 31 December 2024	
	Book balance	Provision for bad debts	Proportion of provision (%)	Provision basis	Book balance	Provision for bad debts
Patient's medical expenses arrears	15,171,843.80	15,171,843.80	100.00	Provision for bad debts is made based on expected credit losses for the entire duration	12,375,105.95	12,337,791.47
Total	15,171,843.80	15,171,843.80			12,375,105.95	12,337,791.47

Notes to provision for bad debts made on an individual basis: see Note 3.10 for details.

Provision for bad debts made by portfolio based on credit risk characteristics:

Portfolio provision items:

Name	Balance as at 31 December 2025		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Days past due portfolio	487,982,899.16	25,043,329.34	5.13
Total	487,982,899.16	25,043,329.34	/

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.4 Accounts receivable (continued)

5.4.3 Provision, reversal or recovery of provision for bad debts in 2025

Category	Balance as at		Change in 2025			Balance as at
	31 December	Provision	Recovery or	Write-off or	Other	
	2024		reversal	charge-off	changes	2025
Provision for bad debts made						
on an individual basis	12,337,791.47	10,881,530.33		8,047,478.00		15,171,843.80
Provision for bad debts made						
on a portfolio basis	21,394,822.78	3,604,119.27			44,387.29	25,043,329.34
Total	33,732,614.25	14,485,649.60		8,047,478.00	44,387.29	40,215,173.14

5.4.4 Accounts receivable actually written off in 2025

Item	Amount written off
Accounts receivable actually written off	8,047,478.00

Among them, the write-off of significant accounts receivable are as follows:

Name of unit	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedures performed	Whether it is due to related party transactions
Patient's medical expenses arrears	Patient receivables	8,047,478.00	Aging of more than three years	Management approval	No
Total	/	8,047,478.00	/	/	/

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.5 Advances to suppliers

Presentation of advances to suppliers by aging

Aging	Balance as at 31 December 2025		Balance as at 31 December 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	15,788,868.62	99.98	14,660,777.90	99.64
1 to 2 years	3,700.00	0.02	53,185.34	0.36
Total	15,792,568.62	100.00	14,713,963.24	100.00

5.6 Other receivables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Interest receivable	787,500.00	787,500.00
Dividends receivable		
Other receivables	77,003,156.08	80,567,441.59
Total	77,790,656.08	81,354,941.59

5.6.1 Interest receivable

(1) Classification of interest receivable

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Time deposits	787,500.00	787,500.00
Subtotal	787,500.00	787,500.00
Less: provision for bad debts		
Total	787,500.00	787,500.00

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables

(1) Disclosure by aging

Aging	Balance as at 31 December 2025	Balance as at 31 December 2024
Within 1 year (including 1 year)	4,457,721.23	25,849,875.86
1 to 2 years	22,576,274.23	49,150,437.26
2 to 3 years	45,220,543.09	12,039,651.89
3 to 4 years	3,648,182.82	8,603,521.35
4 to 5 years	8,293,985.49	4,769,598.96
More than 5 years	9,073,199.23	4,306,969.79
Subtotal	93,269,906.09	104,720,055.11
Less: provision for bad debts	16,266,750.01	24,152,613.52
Total	77,003,156.08	80,567,441.59

The Company's other receivables are analyzed by aging based on the month when the payment actually occurs, and the payment that occurs first is settled in priority when the funds are recovered.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables (continued)

(2) Disclosure under the methods of provision for bad debts by category

Category	Balance as at 31 December 2025				Book value	Balance as at 31 December 2024				Book value
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts										
on an individual basis	14,273,961.68	15.30	14,273,961.68	100.00	21,694,758.77	20.72	21,694,758.77	100.00		
Including:										
Hangzhou Yining Hospital Co., Ltd.					8,000,000.00	7.64	8,000,000.00	100.00		
Quzhou Dakang Rehabilitation Hospital Co., Ltd.	579,202.91	0.62	579,202.91	100.00						
Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	10.94	10,204,311.69	100.00	10,204,311.69	9.74	10,204,311.69	100.00		
Wang Changsheng	3,490,447.08	3.74	3,490,447.08	100.00	3,490,447.08	3.33	3,490,447.08	100.00		
Provision for bad debts made on the basis of portfolio with credit risk characteristics	78,995,944.41	84.70	1,992,788.33	2.52	77,003,156.08	83,025,296.34	79.28	2,457,854.75	2.96	80,567,441.59
Including:										
Combination of nature and characteristics of payment	78,995,944.41	84.70	1,992,788.33	2.52	77,003,156.08	83,025,296.34	79.28	2,457,854.75	2.96	80,567,441.59
Total	93,269,906.09	100.00	16,266,750.01	/	77,003,156.08	104,720,055.11	100.00	24,152,613.52	/	80,567,441.59

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables (continued)

- (2) Disclosure under the methods of provision for bad debts by category (continued)

Other receivables with significant provision for bad debts made on an individual basis:

Name	Balance as at 31 December 2025				Balance as at 31 December 2024	
	Book balance	Provision for bad debts	Proportion of provision (%)	Provision basis	Book balance	Provision for bad debts
Hangzhou Yining Hospital Co., Ltd.					8,000,000.00	8,000,000.00
Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	10,204,311.69	100.00	Expected to be difficult to recover	10,204,311.69	10,204,311.69
Wang Changsheng	3,490,447.08	3,490,447.08	100.00	Expected to be difficult to recover	3,490,447.08	3,490,447.08
Total	13,694,758.77	13,694,758.77	/ /		21,694,758.77	21,694,758.77

Notes to provision for bad debts made on an individual basis: see Note 3.10 for details

Provision for bad debts made by portfolio based on credit risk characteristics:

Portfolio provision items:

Name	Balance as at 31 December 2025		
	Other receivables	Provision for bad debts	Proportion of provision (%)
combination of nature and characteristics of payment	78,995,944.41	1,992,788.33	2.52
Total	78,995,944.41	1,992,788.33	/

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables (continued)

(3) Provision for bad debts

	Stage I Expected credit losses for the next 12 months	Stage II Lifetime expected credit losses (No credit impairment)	Stage III Lifetime expected credit loss (Credit impairment)	Total
Balance as at 31 December 2024	2,457,854.75		21,694,758.77	24,152,613.52
In 2025, Balance as at 31 December 2024				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision in 2025			579,202.91	579,202.91
Reversal in 2025	479,979.23		8,000,000.00	8,479,979.23
Written-off in 2025				
Charge-off in 2025	2,000.00			2,000.00
Other changes	-16,912.81			-16,912.81
Balance as at 31 December 2025	1,992,788.33		14,273,961.68	16,266,750.01

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables (continued)

(3) Provision for bad debts (continued)

Significant changes in the book balance of other receivables with changes in provision for losses incurred in 2025:

In May 2025, the Group purchased 65% of the equity of Hangzhou Yining Hospital Co., Ltd. In the equity transaction, the Group's other receivables of RMB8 million from the Company were deemed to be settled at fair value and derecognised.

(4) Provision, reversal or recovery of bad debt provision in 2025

Category	Balance as at		Change in 2025			Balance as at
	31 December 2024	Provision	Recovery or reversal	Write-off or charge-off	Other changes	31 December 2025
Provision for bad debts made on an individual basis	21,694,758.77	579,202.91	8,000,000.00			14,273,961.68
Provision for bad debts made on a portfolio basis	2,457,854.75		479,979.23	2,000.00	-16,912.81	1,992,788.33
Total	24,152,613.52	579,202.91	8,479,979.23	2,000.00	-16,912.81	16,266,750.01

(5) Other receivables actually written off in 2025

Item	Amount written off
Other receivables actually written off	2,000.00

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.6 Other receivables (continued)

5.6.2 Other receivables (continued)

(6) Classification by nature of payment

Nature of payment	Book balance	Book Balance
	as at 31 December 2025	as at 31 December 2024
Deposit and security deposit	18,920,171.46	19,433,847.49
Employee borrowings	34,457,000.00	38,067,000.00
Borrowings	4,623,062.39	3,878,281.89
Advances	2,222,809.83	256,914.93
Receivables from related parties	32,452,361.95	39,121,016.95
Others	594,500.46	3,962,993.85
Total	93,269,906.09	104,720,055.11

5.7 Inventories

Category	Balance as at 31 December 2025			Balance as at 31 December 2024		
	Book balance	Provision for inventory write- downs/Provision for impairment of contract performance costs	Book value	Book balance	Provision for inventory write- downs/Provision for impairment of contract performance costs	Book value
Turnover materials	567,310.08		567,310.08	657,701.74		657,701.74
Stock commodities	45,089,109.86		45,089,109.86	48,151,521.38		48,151,521.38
Goods dispatched	376,123.14		376,123.14	1,819,908.26		1,819,908.26
Total	46,032,543.08		46,032,543.08	50,629,131.38		50,629,131.38

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.8 Other current assets

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Input tax to be deducted	23,120,442.10	3,761,468.41
Prepaid enterprise income tax	12,210.28	
Prepaid expenses	2,248,043.70	2,097,885.50
Total	25,380,696.08	5,859,353.91

5.9 Long-term receivables

Item	Balance as at 31 December 2025			Balance as at 31 December 2024			Range of discount rate
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Receivable equity transfer payment			14,000,000.00			14,000,000.00	
Subtotal			14,000,000.00			14,000,000.00	
Less: portion maturing within one year							
Total			14,000,000.00			14,000,000.00	

Other notes:

In 2025, the performance commitment period agreed by the Company in connection with the disposal of the equity of the subsidiary expires, and the buyer completes the performance commitment, so the long-term receivables and financial liabilities held for trading related to the variable consideration formed by the performance commitment are derecognised.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.10 Long-term equity investments

5.10.1 Details of long-term equity investments

Investee	Balance of		Changes in 2025						Balance of		
	Balance	impairment	Investment		Adjustment	Cash		Balance	impairment		
	(Book value)	provision	income	Reduced	to other	dividends or	Provision	(book value)	provision		
	as at	as at	Additional	investment	under the	comprehensive	Other	profit declared	Provision	as at 31	as at
	31 December	31 December	investment	investment	equity method	income	equity	to be	for	December	31 December
	2024	2024					changes	distributed	impairment	2025	2025
Hangzhou Ancare Medical Technology Co., Ltd.	6,869,165.91				2,447,498.74					9,316,664.65	
Wenzhou Longwan Yining Hospital Co., Ltd.	56,424,778.61				-421,913.82					56,002,864.79	
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	21,989,636.75				-1,097,977.41					20,891,659.34	
Chongqing Hechuan Kangning Hospital Co., Ltd.	6,247,309.77	10,745,274.26		3,238,079.21	-2,177,854.80					831,375.76	5,983,353.47
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	4,911,260.44				-358,741.63					4,552,518.81	
Wenzhou Ouyue Health Management Co., Ltd.	2,971,833.72		1,200,000.00		145,474.85					4,317,308.57	
Hangzhou Yining Mental Health Management Co., Ltd.											
Total	99,413,985.20	10,745,274.26	1,200,000.00	3,238,079.21	-1,463,514.07					95,912,391.92	5,983,353.47

Other notes:

- In May 2025, according to the resolution of the Board of Shareholders of Chongqing Hechuan Kangning Hospital Co., Ltd., the investors reduced the capital by RMB20,000,000.00 in total according to the shareholding ratio, of which the Company could obtain the capital reduction of RMB8,000,000.00 according to the shareholding ratio of 40%, and the long-term equity investments of RMB8,000,000.00 and the corresponding provision for impairment of long-term equity investments of RMB4,761,920.79 was reduced accordingly.
- In June 2025, according to the resolution of the Board of Shareholders of Wenzhou Ouyueda Health Management Co., Ltd., the Company increased its capital by RMB1,200,000.00 to Wenzhou Ouyue Big Health Management Co., Ltd. After the completion of the capital increase, the Company held 41.67% of the equity of Wenzhou Ouyue Health Management Co., Ltd.
- In April 2025, the Company signed an equity transfer agreement with three individual investors, agreeing that the three individual investors would acquire 27% of the equity of Hangzhou Yining Mental Health Management Co., Ltd. held by the Company for RMB270,000.00. After the above transaction, the Company obtained an investment income of RMB270,000.00.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.10 Long-term equity investments (continued)

5.10.2 Impairment test of long-term equity investments

In 2025, the Company conducted an impairment test on Chongqing Hechuan Kangning Hospital Co., Ltd., and determined its recoverable amount based on the net amount of the present value of estimated future cash flows minus disposal expenses, and recognised the provision for impairment of the relevant long-term equity investments of RMB5,983,353.47.

5.11 Other non-current financial assets

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Financial assets measured at fair value through the current profit or loss	28,123,065.82	36,755,116.10
Including: equity instrument investments	28,123,065.82	36,755,116.10
Total	28,123,065.82	36,755,116.10

5.12 Fixed assets

5.12.1 Fixed assets and disposal of fixed assets

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Fixed assets	1,159,366,939.63	889,544,442.13
Disposal of fixed assets		
Total	1,159,366,939.63	889,544,442.13

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.12 Fixed assets (continued)

5.12.2 Fixed assets

Item	Houses and buildings	Medical equipment	Transportation tools	Electronic and other equipment	Fixed assets acquired under sale and leaseback transaction and finance lease	Total
1. Original book value						
(1) Balance as at 31 December 2024	979,979,414.92	86,353,056.93	13,125,329.74	76,920,085.06	92,932,472.62	1,249,310,359.27
(2) Increase in 2025	310,205,099.00	21,620,836.27	1,606,357.59	10,052,066.96	850,000.00	344,334,359.82
- Purchase	63,662.00	15,036,853.39	943,731.71	7,551,352.58		23,595,599.48
- Transferred to construction in progress	310,112,937.00					310,112,937.00
- Increase from business combination	28,500.00	6,583,982.88	662,625.88	2,500,714.58		9,775,823.34
- Others					850,000.00	850,000.00
(3) Decrease in 2025	4,539,379.08	18,296,278.62	287,106.47	2,982,354.53	3,116,072.66	29,241,191.36
- Disposed or scrapped	4,539,379.08	17,446,278.62	287,106.47	2,982,354.53	3,116,072.66	28,391,191.36
- Others		850,000.00				850,000.00
(4) Balance as at 31 December 2025	1,285,625,134.84	89,677,614.58	14,444,580.86	83,989,797.49	90,666,399.96	1,564,403,527.73
2. Accumulated depreciation						
(1) Balance as at 31 December 2024	163,887,790.06	66,525,538.38	9,626,358.93	58,754,632.61	60,971,597.16	359,765,917.14
(2) Increase in 2025	26,895,023.61	20,545,141.99	2,253,463.41	12,129,609.38	5,631,532.64	67,454,771.03
- Provision	26,884,074.12	15,054,702.21	1,750,920.62	9,955,817.07	5,631,532.64	59,277,046.66
- Increase from business combination	10,949.49	5,490,439.78	502,542.79	2,173,792.31		8,177,724.37
(3) Decrease in 2025		15,404,781.82	279,155.42	2,879,865.10	3,620,297.73	22,184,100.07
Disposed or scrapped		15,404,781.82	279,155.42	2,879,865.10	3,620,297.73	22,184,100.07
(4) Balance as at 31 December 2025	190,782,813.67	71,665,898.55	11,600,666.92	68,004,376.89	62,982,832.07	405,036,588.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.12 Fixed assets (continued)

5.12.2 Fixed assets (continued)

Item	Houses and buildings	Medical equipment	Transportation tools	Electronic and other equipment	Fixed assets acquired under sale and leaseback transaction and finance lease		Total
3. Impairment provision							
(1) Balance as at 31 December 2024							
(2) Increase in 2025							
(3) Decrease in 2025							
(4) Balance as at 31 December 2025							
4. Book value							
(1) Book value as at 31 December 2025	1,094,842,321.17	18,011,716.03	2,843,913.94	15,985,420.60	27,683,567.89		1,159,366,939.63
(2) Book value as at 31 December 2024	816,091,624.86	19,827,518.55	3,498,970.81	18,165,452.45	31,960,875.46		889,544,442.13

Other notes:

As at 31 December 2025, the fixed assets with a book value of RMB275,931,972.52 were used as collateral for bank borrowings and finance lease, as detailed in Note 5.20.

5.13 Construction in progress

5.13.1 Construction in progress and project materials

Project	Balance as at 31 December 2025		Balance as at 31 December 2024	
	Book balance	Impairment provision	Book balance	Impairment provision
Construction in progress	13,091,854.50		185,164,227.10	
Engineering materials				
Total	13,091,854.50		185,164,227.10	
				Book value
				185,164,227.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.13 Construction in progress (continued)

5.13.2 Information on construction in progress

Project	Balance as at 31 December 2025			Balance as at 31 December 2024		
	Book balance	Provision for impairment	Book value	Book balance	Impairment provision	Book value
Lucheng Yining Hospital construction project				159,409,044.58		159,409,044.58
Longquan Kangning Hospital construction project				24,326,199.34		24,326,199.34
Loudi Kangning Hospital renovation project	1,135,716.00		1,135,716.00			
Wenzhou Kangning Hospital renovation project	911,592.00		911,592.00			
Chengdu Yining Hospital renovation project	1,756,128.00		1,756,128.00	867,174.00		867,174.00
Quzhou Yining Hospital expansion project	2,497,808.10		2,497,808.10			
Wenzhou Cining Hospital campus renovation project	5,045,131.00		5,045,131.00			
Other minor renovation projects	1,745,479.40		1,745,479.40	561,809.18		561,809.18
Total	13,091,854.50		13,091,854.50	185,164,227.10		185,164,227.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.13 Construction in progress (continued)

5.13.3 Changes in significant construction in progress in 2025

Project name	Budget (ten thousand)	Balance as at 31 December 2024	Increase in 2025	Amount of fixed assets transferred in 2025	Other decrease in 2025	Balance as at 31 December 2025	Proportion of cumulative investment in the project in budget (%)	Project progress (%)	Accumulated interest capitalisation amount	Including: capitalisation amount of interest in 2025	Capitalisation amount of interest in 2025 (%)	Source of funds
Lucheng Yinying Hospital construction project	18,680.91	159,409,044.58	63,614,333.29	223,023,377.87		152.98	100.00	12,044,776.87	3,820,959.95	3.41	Self-owned funds and long-term borrowings	
Longquan Kangning Hospital construction project	8,754.00	24,326,199.34	62,763,359.79	87,089,559.13		99.49	100.00	863,086.57	863,086.57	2.81	Self-owned funds	
Wenzhou Ciming Hospital campus renovation project	833.60		5,045,131.00			60.52	60.00				Self-owned funds	
Total	/	183,735,243.92	131,402,824.08	310,112,937.00		5,045,131.00	/	12,907,863.44	4,684,046.52	/	/	

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.14 Right-of-use assets

Project	Houses and buildings	Total
1. Original book value		
(1) Balance as at 31 December 2024	307,410,601.64	307,410,601.64
(2) Increase in 2025	93,672,400.33	93,672,400.33
– New lease	40,384,947.64	40,384,947.64
– Increase due to business combination	65,103,775.00	65,103,775.00
– Revaluation adjustment	-11,816,322.31	-11,816,322.31
(3) Decrease in 2025	51,156,610.95	51,156,610.95
– Disposal	51,156,610.95	51,156,610.95
(4) Balance as at 31 December 2025	349,926,391.02	349,926,391.02
2. Accumulated depreciation		
(1) Balance as at 31 December 2024	145,589,157.08	145,589,157.08
(2) Increase in 2025	59,105,611.82	59,105,611.82
– Provision	38,080,052.61	38,080,052.61
– Increase from business combination	23,216,969.86	23,216,969.86
– Revaluation adjustment	-2,191,410.65	-2,191,410.65
(3) Decrease in 2025	47,122,486.11	47,122,486.11
– Disposal	47,122,486.11	47,122,486.11
(4) Balance as at 31 December 2025	157,572,282.79	157,572,282.79
3. Impairment provision		
(1) Balance as at 31 December 2024		
(2) Increase in 2025		
(3) Decrease in 2025		
(4) Balance as at 31 December 2025		
4. Book value		
(1) Book value as at 31 December 2025	192,354,108.23	192,354,108.23
(2) Book value as at 31 December 2024	161,821,444.56	161,821,444.56

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.15 Intangible assets

5.15.1 Information on intangible assets

Project	Land use rights	Trademark right	Software	Medical practice qualification	Contractual rights to provide management services	Total
1. Original book value						
(1) Balance as at 31 December 2024	158,746,648.48	3,061,637.13	16,037,718.87	216,837,000.00	32,400,000.00	427,083,004.48
(2) Increase in 2025	4,713,332.53		5,918,563.99	24,000,000.00		34,631,896.52
– Purchase	4,713,332.53		4,784,593.99			9,497,926.52
– Increase from business combination			1,133,970.00	24,000,000.00		25,133,970.00
(3) Decrease in 2025			52,802.64			52,802.64
– Disposal			52,802.64			52,802.64
(4) Balance as at 31 December 2025	163,459,981.01	3,061,637.13	21,903,480.22	240,837,000.00	32,400,000.00	461,662,098.36
2. Accumulated amortisation						
(1) Balance as at 31 December 2024	23,725,212.01	1,404,895.19	10,123,731.63	87,868,373.39	12,425,000.00	135,547,212.22
(2) Increase in 2025	2,861,820.77	330,015.42	2,591,353.29	18,780,633.64	1,842,857.20	26,406,680.32
– Provision	2,861,820.77	330,015.42	1,499,883.33	18,780,633.64	1,842,857.20	25,315,210.36
– Increase from business combination			1,091,469.96			1,091,469.96
– Others						
(3) Decrease in 2025			49,052.64			49,052.64
– Disposal			49,052.64			49,052.64
(4) Balance as at 31 December 2025	26,587,032.78	1,734,910.61	12,666,032.28	106,649,007.03	14,267,857.20	161,904,839.90
3. Impairment provision						
(1) Balance as at 31 December 2024						
(2) Increase in 2025				14,000,000.04		14,000,000.04
– Provision				14,000,000.04		14,000,000.04
(3) Decrease in 2025						
(4) Balance as at 31 December 2025				14,000,000.04		14,000,000.04
4. Book value						
(1) Book value as at 31 December 2025	136,872,948.23	1,326,726.52	9,237,447.94	120,187,992.93	18,132,142.80	285,757,258.42
(2) Book value as at 31 December 2024	135,021,436.47	1,656,741.94	5,913,987.24	128,968,626.61	19,975,000.00	291,535,792.26

Other notes:

As at 31 December 2025, the intangible assets with a book value of RMB81,298,845.57 were used as collateral for bank loans, as detailed in Note 5.20.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.15 Intangible assets (continued)

5.15.2 Impairment test of intangible assets

In 2025, the management conducted an impairment test on the relevant asset group of the goodwill of the Company's subsidiary, Dongkou Lening Hospital Co., Ltd. The recoverable amount thereof was determined based on the present value of the estimated future cash flow. The total impairment loss of the relevant asset group was RMB19,088,193.09, of which the impairment loss of the goodwill attributable to the parent company was RMB2,502,854.13 and the impairment provision allocated to the intangible assets was RMB14,000,000.04. See the Note 5.16 for the key parameters of the impairment test.

5.16 Goodwill

5.16.1 Changes in goodwill

Name of the investee or matters forming goodwill	Balance as at 31 December 2024	Increase in 2025		Decrease in 2025		Balance as at 31 December 2025
		Formation of business combination	Others	Disposal	Others	
Book value						
Nanjing Yining Hospital Co., Ltd.	9,271,800.00					9,271,800.00
Heze Yining Psychiatric Hospital Co., Ltd.	690,331.47					690,331.47
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	7,784,850.00					7,784,850.00
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Wenzhou Yixin Health Technology Co., Ltd.	151,048.40					151,048.40
Huainan Kangning Hospital Co., Ltd.	5,068,959.78					5,068,959.78
Changchun Kanglin Psychological Hospital Co., Ltd.	6,843,288.91					6,843,288.91
Wenzhou Cining Hospital Co., Ltd.	19,416,285.97					19,416,285.97
Pingyang Changgeng Yining Hospital Co., Ltd.	51,770,194.67					51,770,194.67
Hangzhou Yining Nursery Service Co., Ltd.	1,272,643.00					1,272,643.00
Jinyun Shuning Hospital Co., Ltd.	5,060,323.85					5,060,323.85
Loudi City Kangle Kangning Hospital Co., Ltd.	283,528.10					283,528.10
Dongkou Lening Hospital Co., Ltd.	2,502,854.13					2,502,854.13
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	9,564,442.65					9,564,442.65
Wenzhou Ancare Pharmacy Co., Ltd.	228,538.31			228,538.31		

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.1 Changes in goodwill (continued)

Name of the investee or matters forming goodwill	Balance as at 31 December 2024	Increase in 2025		Decrease in 2025		Balance as at 31 December 2025
		Formation of business combination	Others	Disposal	Others	
Hangzhou Yining Hospital Co., Ltd.		12,898,816.77				12,898,816.77
Wenzhou Deci Care Service Co., Ltd.		11,081,970.63				11,081,970.63
Subtotal	144,445,442.66	23,980,787.40		228,538.31		168,197,691.75
Impairment provision						
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Jinyun Shuning Hospital Co., Ltd.	5,060,323.85					5,060,323.85
Heze Yining Psychiatric Hospital Co., Ltd.	690,331.47					690,331.47
Dongkou Lening Hospital Co., Ltd.			2,502,854.13			2,502,854.13
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.			7,705,714.73			7,705,714.73
Hangzhou Yining Care Service Co., Ltd.			1,247,176.52			1,247,176.52
Sub-total	30,287,008.74		11,455,745.38			41,742,754.12
Book value	114,158,433.92	23,980,787.40	-11,455,745.38	228,538.31		126,454,937.63

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.2 Composition of the asset group or combination of asset groups to which the goodwill belongs and relevant information of the operating segments to which the goodwill belongs

Name	Composition and basis of the asset group or combination of asset groups	Whether it is consistent with the previous years
Nanjing Yining Hospital Co., Ltd.	Asset groups that generate synergies with goodwill and can independently generate cash flows	Consistent
Heze Yining Psychiatric Hospital Co., Ltd.	Asset groups that generate synergies with goodwill and can independently generate cash flows	Consistent
Guanxian Yining Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Beijing Yining Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Wenzhou Yixin Health Technology Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Huainan Kangning Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Changchun Kanglin Psychological Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.2 Composition of the asset group or combination of asset groups to which the goodwill belongs and relevant information of the operating segments to which the goodwill belongs (continued)

Name	Composition and basis of the asset group or combination of asset groups	Whether it is consistent with the previous years
Wenzhou Cining Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Pingyang Changgeng Yining Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Hangzhou Yining Nursery Service Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Jinyun Shuning Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Loudi City Kangle Kangning Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Dongkou Lening Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	Asset groups that synergize with goodwill and can independently generate cash flow	Consistent
Hangzhou Yining Hospital Co., Ltd.	Asset groups that generate synergies with goodwill and can independently generate cash flows	Consistent
Wenzhou Deci Care Service Co., Ltd.	Asset groups that generate synergies with goodwill and can independently generate cash flows	Consistent

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.3 Specific determination method of recoverable amount

The recoverable amount is determined based on the present value of the estimated future cash flows:

Item	Book value of goodwill related asset group	Recoverable amount	Amount of impairment ^(Note 5)	Years of the forecast period	Key parameters (growth rate, profit margin, etc.) during the forecast period	Key factors in the forecast period	Key parameters of the stabilization period (growth rate)	Key parameters of the stabilization period	Determination basis
Nanjing Yinying Hospital Co., Ltd.	28,127,424.80	36,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Wenzhou Nantang Psychiatric Specialty Hospital Co., Ltd.	21,109,244.57	6,000,000.00	7,703,714.73	5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Huainan Kangning Hospital Co., Ltd.	11,316,119.19	20,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.20%	Based on 5-year cash flow forecast approved by the management	
Changchun Kanglin Psychological Hospital Co., Ltd.	18,385,657.90	38,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Wenzhou Cijing Hospital Co., Ltd.	46,887,034.99	74,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.20%	Based on 5-year cash flow forecast approved by the management	
Pingyang Changgeng Yinying Hospital Co., Ltd.	160,176,702.90	188,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.20%	Based on 5-year cash flow forecast approved by the management	
Hangzhou Yinying Nursery Service Co., Ltd.	2,547,176.52	1,300,000.00	1,247,176.52	5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.20%	Based on 5-year cash flow forecast approved by the management	
Dongkou Lening Hospital Co., Ltd.	24,088,193.09	5,000,000.00	19,088,193.09	5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Chengdu Jinniu Yinying Psychiatric Hospital Co., Ltd.	48,482,418.21	54,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Hangzhou Yinying Hospital Co., Ltd.	91,793,857.29	93,100,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	2.10%	Based on 5-year cash flow forecast approved by the management	
Wenzhou Dect Care Service Co., Ltd.	11,153,220.63	28,000,000.00		5	See Note 5.16.4, Key Parameters for Goodwill Impairment Test	Historical data of similar business	-	Based on 5-year cash flow forecast approved by the management	
Total	464,067,050.09	543,400,000.00	28,041,084.34						

Note: The total impairment loss of goodwill allocated to the parent company is RMB11,455,745.38, and the total impairment loss of other assets allocated to the asset group is RMB14,000,000.04.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.4 Key parameters of goodwill impairment test

Asset group or combination of asset groups	Average number of beds in operation	Key parameters of forecast period		Pre-tax discount rate
		Average daily cost per bed for inpatients (bed/day/RMB)	Net profit margin	
Nanjing Yining Hospital Co., Ltd.	147	315	16.34%	10.40%
Hangzhou Yining Co., Ltd.	172	563	6.29%	10.40%
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	243	215	2.90%	12.10%
Huainan Kangning Hospital Co., Ltd.	180	179	15.36%	12.10%
Changchun Kanglin Psychological Hospital Co., Ltd.	323	193	13.55%	12.10%
Wenzhou Cining Hospital Co., Ltd.	330	534	10.57%	11.30%
Pingyang Changgeng Yining Hospital Co., Ltd.	594	556	8.05%	10.40%
Hangzhou Yining Nursery Service Co., Ltd.	56	118	-3.06%	10.40%
Dongkou Lening Hospital Co., Ltd.	224	112	-12.01%	12.10%
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	306	207	7.27%	10.40%

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.16 Goodwill (continued)

5.16.5 Completion of performance commitments

Item	Completion of performance commitments						Accrued goodwill impairment loss	
	Year 2025			Year 2024			Year 2025	Year 2024
	Committed performance	Actual performance	Completion rate	Committed performance	Actual performance	Completion rate		
Wenzhou Deci Care Service Co., Ltd.	3,240,000.00	3,601,100.65	111.15%					

5.17 Long-term deferred expenses

Item	Balance as at 31 December 2024	Increase in 2025	Amortisation amount in 2025	Other decrease	Balance as at 31 December 2025
	Decoration fee		150,250,686.78		9,734,056.80
Lease fee	144,673.98	86,370.30	31,826.11	86,370.30	112,847.87
Others	11,670.72		11,670.72		
Total	150,407,031.48	9,820,427.10	38,081,274.32	536,893.52	121,609,290.74

5.18 Deferred tax assets and deferred tax liabilities

5.18.1 Deferred tax assets without offset

Item	Balance as at 31 December 2025		Balance as at 31 December 2024	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	30,120,762.75	6,119,599.81	26,538,427.87	5,287,300.54
Unrealised profit of internal transactions	33,443,555.30	8,360,888.83	40,937,273.96	10,234,318.49
Deductible losses	138,258,473.65	26,801,073.57	149,112,887.66	30,900,227.31
Lease liabilities	223,998,051.44	55,532,380.08	177,260,490.33	44,473,733.97
Share-based payment	61,917,014.54	9,287,552.18	58,128,415.43	8,720,971.12
Total	487,737,857.68	106,101,494.47	451,977,495.25	99,616,551.43

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.18 Deferred tax assets and deferred tax liabilities (continued)

5.18.2 Deferred income tax liabilities before offset

Item	Balance as at 31 December 2025		Balance as at 31 December 2024	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset appreciation from non-controlling enterprise combinations	165,697,546.44	41,424,386.62	162,308,548.18	40,577,137.06
Changes in fair value of other non-financial assets	13,879,270.75	2,081,890.61	15,841,295.07	2,376,194.26
One-time additional deduction for fixed assets	47,809.41	7,171.41	561,601.28	116,423.68
Right-of-use assets	192,354,108.28	48,061,288.32	162,649,241.29	40,662,310.34
Total	371,978,734.88	91,574,736.96	341,360,685.82	83,732,065.34

5.18.3 Deferred tax assets or liabilities presented net of offset

Project	As at 31 December 2025		As at 31 December 2024	
	Offset amount of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after offset	Offset amount of deferred tax assets and liabilities	Balance of deferred tax assets or liabilities after offset
Deferred tax assets	50,754,678.64	55,346,815.83	43,419,006.66	56,197,544.77
Deferred tax liabilities	50,754,678.64	40,820,058.32	43,419,006.66	40,313,058.68

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.18 Deferred tax assets and deferred tax liabilities (continued)

5.18.4 Details of unrecognised deferred tax assets

Project	Balance as at 31 December 2025	Balance as at 31 December 2024
Deductible temporary differences	10,523,912.94	8,368,159.52
Deductible losses	59,473,871.02	58,354,984.35
Total	69,997,783.96	66,723,143.87

5.18.5 The deductible losses of unrecognised deferred tax assets will expire in the following years

Year	Balance as at 31 December 2025	Balance as at 31 December 2024	Remark
2025	9,062,477.57	11,276,025.44	
2026	5,381,372.94	7,834,515.76	
2027	6,665,188.33	7,112,174.17	
2028	2,344,298.98	11,574,030.72	
2029	20,592,483.91	20,558,238.26	
2030	15,428,049.29		
Total	59,473,871.02	58,354,984.35	

5.19 Other non-current assets

Item	Balance as at 31 December 2025			Balance as at 31 December 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepaid equity investment	6,061,296.16		6,061,296.16	7,764,995.66		7,764,995.66
Prepayment for house and equipment	9,453,564.81		9,453,564.81	3,468,668.68		3,468,668.68
Total	15,514,860.97		15,514,860.97	11,233,664.34		11,233,664.34

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.20 Assets with restricted ownership or use

Item	As at 31 December 2025				Balance as at 31 December 2024			
	Book balance	Book value	Restricted type	Restriction status	Book balance	Book value	Restricted type	Restriction status
Cash at bank and on hand					150,009.00	150,009.00	Frozen	Bank acceptance bill deposit
	5,000,000.00	5,000,000.00	Frozen	Performance bond	5,000,000.00	5,000,000.00	Frozen	Performance bond
	1,365,109.43	1,365,109.43	Frozen	Foreign exchange regulatory account	1,364,131.55	1,364,131.55	Frozen	Foreign exchange regulatory account
				2,125.91	2,125.91	Frozen	Litigation	
Long-term equity investments	254,502,240.91	254,502,240.91	Pledge	Pledge borrowings	208,244,700.00	208,244,700.00	Pledge	Pledge borrowings
Fixed assets	90,666,399.96	27,683,567.89	Mortgage	Sale and leaseback	92,932,472.62	31,960,875.46	Mortgage	Sale and leaseback
	260,090,969.45	248,248,404.63	Mortgage	Mortgaged borrowings	308,835,922.00	277,405,475.89	Mortgage	Mortgaged borrowings
Intangible asset	91,916,306.11	81,298,845.57	Mortgage	Mortgaged borrowings	69,872,967.58	60,484,716.91	Mortgage	Mortgaged borrowings
Total	703,541,025.86	618,098,168.43	/	/	686,402,328.66	584,612,034.72	/	/

5.21 Short-term borrowings

Project	Balance as at 31 December 2025	Balance as at 31 December 2024
Mortgaged borrowings	93,720,000.00	75,000,000.00
Guaranteed borrowing	15,523,676.71	16,000,000.00
Total	109,243,676.71	91,000,000.00

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.22 Financial liabilities held for trading

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Financial liabilities held for trading	1,805,503.25	14,000,000.00
Others	1,805,503.25	14,000,000.00
Total	1,805,503.25	14,000,000.00

For financial liabilities designated as measured at fair value through the current profit or loss:

Item	Specified reason and basis	Changes in fair value in 2025	Changes in fair value of the current period caused by changes in its own credit risk	Cumulative changes in fair value due to changes in own credit risk
Performance commitment of Wenzhou Deci Care Service Co., Ltd.	Fair value of variable consideration	1,805,503.25		
Total		1,805,503.25		

The book value of the amount liabilities designated to be measured at fair value through the current profit or loss at the end of the current period is consistent with the amount payable to the creditor according to the contract.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.23 Accounts payable

The accounts payable are analyzed by the aging on the date of entry as follows:

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Within 1 year	156,277,714.53	127,861,415.20
1 to 2 years	2,848,066.71	3,124,361.77
2 to 3 years	1,229,010.41	751,141.60
More than 3 years	448,300.83	199,461.41
Total	160,803,092.48	131,936,379.98

As of 31 December 2025, there were no significant accounts payable that were aged over 1 year or past due (31 December 2024: none).

5.24 Receipts in advance

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Advance payment and medical payment	23,327,087.38	21,319,198.39
Total	23,327,087.38	21,319,198.39

As of 31 December 2025, there were no significant receipts in advance aged over 1 year (31 December 2024: none).

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.25 Contract liabilities

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Received the contract consideration	161,104.98	49,771.35
Total	161,104.98	49,771.35

Other notes: contract liabilities refer to the obligation of the Company to transfer goods to customers for the consideration received from customers.

5.26 Employee benefits payable

5.26.1 Presentation of employee benefits payable

Item	Balance as at 31 December 2024	Increase in 2025	Decrease in 2025	Balance as at 31 December 2025
Short-term benefits	82,608,332.00	613,701,105.60	615,376,119.42	80,933,318.18
Post-employment benefit – defined contribution plans	3,138,964.61	45,758,780.58	45,399,570.47	3,498,174.72
Dismissal benefit		313,991.65	313,991.65	
Total	85,747,296.61	659,773,877.83	661,089,681.54	84,431,492.90

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.26 Employee benefits payable (continued)

5.26.2 Presentation of short-term benefits

Item	Balance as at			Balance as at 31 December 2025
	31 December 2024	Increase in 2025	Decrease in 2025	
(1) Wages, bonuses, allowances and subsidies	80,188,073.48	544,324,112.27	546,082,627.19	78,429,558.56
(2) Employee benefits	459,887.66	21,364,687.28	21,365,740.40	458,834.54
(3) Social insurance fees	1,731,246.32	23,626,510.83	23,544,883.55	1,812,873.60
Including: medical insurance fees	1,630,346.45	22,260,947.60	22,167,107.34	1,724,186.71
Work injury insurance fees	100,899.87	1,311,987.95	1,324,200.93	88,686.89
Maternity insurance fees		53,575.28	53,575.28	
(4) Housing provident fund	205,600.44	24,207,778.50	24,208,340.50	205,038.44
(5) Union fees and employee education fees	23,524.10	178,016.72	174,527.78	27,013.04
Total	82,608,332.00	613,701,105.60	615,376,119.42	80,933,318.18

5.26.3 Disclosure of defined contribution plans

Item	Balance as at			Balance as at 31 December 2025
	31 December 2024	Increase in 2025	Decrease in 2025	
Basic endowment insurance premium	3,047,812.97	44,438,784.95	44,087,546.83	3,399,051.09
Unemployment insurance premium	91,151.64	1,319,995.63	1,312,023.64	99,123.63
Total	3,138,964.61	45,758,780.58	45,399,570.47	3,498,174.72

Other notes:

According to Chinese regulations, the Group has participated in a statutory defined contribution pension plan (basic pension insurance) organized by the local government for its employees. According to the local government's policies and regulations, the Group shall make contributions based on the employees' wages at a certain proportion, and the contributions cannot be used to offset the Group's future payments for employees.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.27 Taxes payable

Tax items	Balance as at 31 December 2025	Balance as at 31 December 2024
VAT	3,200,635.94	1,253,541.90
Enterprise income tax	23,316,162.83	28,623,585.71
Personal income tax	1,539,654.76	1,280,818.51
Urban maintenance and construction tax	193,472.11	128,273.19
Property tax	6,403,954.93	6,799,424.03
Education surcharge	139,810.92	65,721.04
Land use tax	940,760.98	778,342.55
Stamp duty	69,573.69	195,717.23
Environmental protection tax	3,906.48	2,121.00
Water conservancy fund	1,071.79	538.69
Total	35,809,004.43	39,128,083.85

5.28 Other payables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Interest payable		1,919,729.45
Dividends payable	3,600,000.00	1,090,000.00
Other payables	88,259,119.30	78,277,703.70
Total	91,859,119.30	81,287,433.15

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.28 Other payables (continued)

5.28.1 Interest payable

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Interest on long-term loans with interest paid in installments and principal repaid at maturity		1,919,729.45
Total		1,919,729.45

5.28.2 Dividends payable

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Dividends payable – minority shareholders of subsidiaries	3,600,000.00	1,090,000.00
Total	3,600,000.00	1,090,000.00

5.28.3 Other payables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Payable for long-term asset acquisition	30,510,944.19	25,610,062.45
Payable for equity acquisition	1,313,457.77	1,313,457.77
Accrued expenses	2,228,893.61	6,681,680.88
Deposits and guarantees	1,571,150.50	1,136,955.18
Intercompany balances	19,906,013.30	24,729,158.13
Borrowings	9,229,765.68	8,748,024.96
Payable to related party	23,467,735.12	9,416,830.18
Others	31,159.13	641,534.15
Total	88,259,119.30	78,277,703.70

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.29 Non-current liabilities due within one year

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Long-term borrowings due within one year	132,990,000.00	164,170,000.00
Long-term payables due within one year	31,995,109.32	38,367,421.50
Lease liabilities due within one year	36,422,400.23	26,733,022.63
Total	201,407,509.55	229,270,444.13

5.30 Other current liabilities

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Output tax to be carried forward	2,785,649.87	
Payables with bill endorsement but without derecognition	429,217.10	615,218.00
Total	3,214,866.97	615,218.00

5.31 Long-term borrowings

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Pledged borrowings	59,000,000.00	78,500,000.00
Mortgaged borrowings	556,222,957.47	554,557,337.44
Guaranteed borrowing	264,720,000.00	222,130,000.00
Less: long-term borrowings maturing within one year	132,990,000.00	164,170,000.00
Total	746,952,957.47	691,017,337.44

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.31 Long-term borrowings (continued)

The long-term borrowings are analyzed as follows according to their repayment dates:

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Repayment immediately		
Within 1 year		
1 to 2 years	200,470,000.00	201,720,000.00
2 to 5 years	231,810,000.00	276,950,000.00
More than 5 years	314,672,957.47	212,347,337.44
Total	746,952,957.47	691,017,337.44

5.32 Provisions

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Lease payments	184,898,051.41	178,033,085.43
Including: unrecognised financing expenses	-15,215,483.11	-12,289,872.96
Less: provisions maturing within one year	36,422,400.23	26,733,022.63
Total	148,475,651.18	151,300,062.80

Provisions are analyzed by their repayment dates as follows:

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Repayment immediately		
Within 1 year		
1 to 2 years	25,504,377.21	43,840,707.24
2 to 5 years	89,583,105.03	48,498,246.64
More than 5 years	33,388,168.94	58,961,108.91
Total	148,475,651.18	151,300,062.79

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.33 Long-term payables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Long-term payables	47,419,832.76	71,916,878.60
Special payables		4,320,000.00
Total	47,419,832.76	76,236,878.60

5.33.1 Long-term payables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Finance lease payables	79,414,942.08	110,284,300.10
Including: financing expenses not realised	-9,413,872.18	-16,422,565.39
Less: long-term payables maturing within one year	31,995,109.32	38,367,421.50
Total	47,419,832.76	71,916,878.60

Long-term payables are analyzed by their repayment dates as follows:

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Repayment immediately		
Within 1 year		
1 to 2 years	18,837,193.31	31,995,109.32
2 to 5 years	28,582,639.45	39,921,769.28
Total	47,419,832.76	71,916,878.60

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.33 Long-term payables (continued)

5.33.2 Special payables

Item	Balance as at	Increase in	Decrease in	Balance as at	Forming reason
	31 December			2025	
	2024	2025	2025	2025	
Financial subsidies	4,320,000.00	5,760,000.00	10,080,000.00		Subsidies for Longquan Kangning Hospital construction project
Total	4,320,000.00	5,760,000.00	10,080,000.00	/	

5.34 Deferred income

Item	Balance as at	Increase in	Decrease in	Balance as at	Formation cause
	31 December			2025	
	2024	2025	2025	2025	
Asset-related government grants	8,430,307.00	10,080,000.00	303,792.00	18,206,515.00	Amortised according to the useful life of the assets
Total	8,430,307.00	10,080,000.00	303,792.00	18,206,515.00	/

5.35 Share capital

Item	Balance as at	Change in 2025 (+/-)					Balance as at
	31 December	New shares	Bonus shares	Capital surplus	Others	Subtotal	31 December
	2024	issued		to shares			2025
Total shares	72,670,000.00					-311,100.00	72,358,900.00

Other notes: the Company has repurchased and cancelled 311,100 H shares during the period.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.36 Capital surplus

Item	Balance as at 31 December 2024	Increase in 2025	Decrease in 2025	Balance as at 31 December 2025
Capital premium (share premium)	726,023,779.76		33,882,596.62	692,141,183.14
Other capital surplus				
– Share-based payments	48,854,883.98	4,503,685.30		53,358,569.28
– Other capital surplus	15,145,574.29			15,145,574.29
Total	790,024,238.03	4,503,685.30	33,882,596.62	760,645,326.71

Other notes, including the increase and decrease in 2025 and the reasons for the change:

- (1) In 2025, the Company purchased 26.67% equity of minority shareholders of its subsidiary, Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd., and the difference between the equity consideration and the share of net assets of the subsidiary calculated continuously from the acquisition date according to the newly increased shareholding ratio, resulting in a decrease of RMB30,943,297.66 in the share premium in the capital surplus, see Note 7.2 for details.
- (2) According to the Company's H-share incentive trust plan, the equity incentive cost or expense of RMB4,503,685.30 was recognised in 2025, and the corresponding amount of RMB4,503,685.30 was included in other capital surplus. See Note 12 for details.
- (3) According to the Proposal to Grant General Authorization to the Board of Directors to Repurchase Part of H Shares (for deliberation and approval at the 2024 Annual General Meeting, the 2025 first H-share class general meeting and the 2025 first domestic share class general meeting to be held on 2 June 2025), the Company repurchased 2,270,900 shares in total, including 311,100 shares that have been cancelled, 1,959,800 shares that are intended to be cancelled but have not been cancelled, and the difference between the repurchase price of the cancelled shares and the par value of the share capital, resulting in a decrease of RMB2,939,298.96 in the share capital premium of capital surplus.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.37 Treasury share

Item	Balance as at 31 December		Balance as at 31 December	
	2024	Increase in 2025	Decrease in 2025	2025
Shares of the Company acquired for employee stock ownership plan or equity incentive	22,366,848.64	6,299,853.27		28,666,701.91
The Company's shares acquired due to reduction of registered capital		22,399,322.22	3,250,398.96	19,148,923.26
Total	22,366,848.64	28,699,175.49	3,250,398.96	47,815,625.17

Other notes, including the increase and decrease in 2025 and the reasons for the change:

- (1) As at 31 December 2025, according to the Company's H-share incentive trust plan, the balance of the trustee's position in the Company's H-share stocks purchased through market transactions was 3,419,975 shares, corresponding to a cumulative repurchase amount of RMB28,666,701.91.
- (2) In 2025, the Company repurchased 2,270,900 shares, including 311,100 shares that have been cancelled, 1,959,800 shares that are intended to be cancelled but have not been cancelled, and the cumulative amount of the repurchase transaction is RMB22,399,322.22, of which the repurchase transaction price corresponding to the number of shares that have been cancelled is RMB3,250,398.96.

5.38 Surplus reserve

Item	Balance as at 31 December 2024		Balance as at 31 December 2025	
		Increase in 2025	Decrease in 2025	
Statutory surplus reserves	38,399,577.13			38,399,577.13
Total	38,399,577.13			38,399,577.13

Notes to surplus reserves, including the changes in 2025 and the reasons for the change:

In accordance with the Company Law of the People's Republic of China, the Company withdraws the statutory surplus reserve at 10% of the annual net profit. When the statutory surplus reserve reaches more than 50% of the registered capital, it may not be withdrawn any more. The statutory surplus reserves may be used to make up the losses or increase the paid-in capital upon approval.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.39 Retained earnings

Item	Amount in 2025	Amount in 2024
Retained earnings at the end of the year before adjustment	344,285,828.01	311,956,229.16
Total adjustment to retained earnings at the beginning of the year (“+” for increase and “-” for decrease)		
Adjusted retained earnings at the beginning of the year	344,285,828.01	311,956,229.16
Plus: net profit attributable to the parent company in the current period	54,395,979.83	65,610,188.85
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of provision for general risk		
Ordinary shares dividends payable	34,451,508.00	33,280,590.00
Ordinary shares dividends transferred to share capital		
Retained earnings at the end of the period	364,230,299.84	344,285,828.01

Other descriptions of retained earnings:

- According to the 2024 annual general meeting held on 30 June 2025, the Company reviewed and approved the 2024 profit distribution plan. Based on the number of 72,670,000 shares issued by the Company as of 31 December 2024, the cash dividend of RMB3 (including tax) was distributed for every 10 shares, and the total cash dividend was RMB21,707,670.00. The Company has completed the dividend distribution on July 28, 2025. (0.9126 for H-share holders who pay in HKD)
- The Company’s first extraordinary general meeting in 2025 held on 15 October 2025, reviewed and approved the 2025 Interim Profit Distribution Plan: based on the total share capital (72,358,900 shares) before the record date determined by the implementation of the 2025 Interim Profit Distribution Plan, deducting the 1,558,800 H shares that have been repurchased but not cancelled by the Company, RMB1.80 per 10 shares will be distributed as cash dividends, with a total cash dividend of RMB12,743,838.00. The Company has completed the dividend distribution on 21 November 2025 (the payment exchange rate for H-share holders to be paid in HKD is 0.9131).

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.40 Operating revenue and cost of sales

5.40.1 Operating revenue and cost of sales

Item	Amount in 2025		Amount in 2024	
	Revenue	Cost	Revenue	Cost
Main business	1,448,705,601.11	1,074,924,943.42	1,517,773,042.05	1,125,416,714.47
Other business	171,078,809.67	125,790,274.94	136,516,371.18	90,468,771.15
Total	1,619,784,410.78	1,200,715,218.36	1,654,289,413.23	1,215,885,485.62

Breakdown of operating revenue:

Item	Amount in 2025	Amount in 2024
Revenue from primary business	1,448,705,601.11	1,517,773,042.05
Diagnosis and medical services	1,448,705,601.11	1,517,773,042.05
Other business revenue	171,078,809.67	136,516,371.18
Revenue from pharmaceutical and equipment wholesale and retail	107,370,316.53	90,137,875.17
Management services	2,368,850.84	2,970,297.04
Rental revenue	2,577,689.05	595,122.46
Others	58,761,953.25	42,813,076.51
Total	1,619,784,410.78	1,654,289,413.23

5.40.2 Breakdown of operating revenue and cost of sales

Category	Operating revenue	Cost of sales
By transfer time:		
Recognised at a certain time point	1,619,784,410.78	1,654,289,413.23
Recognised within a certain period		
Total	1,619,784,410.78	1,654,289,413.23

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.40 Operating revenue and cost of sales (continued)

5.40.3 Description of performance obligations

Item	Time to fulfill the performance obligation	Important payment terms	Nature of goods promised to be transferred by the Company	Whether to be the principal responsible person	Amounts expected to be returned to customers that the Company has assumed	Type of quality assurance provided by the Company and related obligations
Diagnosis, medical services and other services	Time point of service provision	Bill settlement	Diagnosis, medical services and other services	Yes	None	None
Wholesale and retail of pharmaceutical products and medical devices	Time point of product delivery	Confirmation of receipt of goods	Pharmaceutical and medical device products	Yes	None	None

5.41 Taxes and surcharges

Item	Amount in 2025	Amount in 2024
Property tax	8,065,702.05	8,739,992.84
Urban maintenance and construction tax	837,869.25	1,053,941.94
Education surcharge	610,271.91	737,327.87
Land use tax	1,127,123.45	917,801.34
Stamp duty	567,671.72	546,353.47
Others	37,486.46	341,468.27
Total	11,246,124.84	12,336,885.73

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.42 Selling expenses

Item	Amount in 2025	Amount in 2024
Employee benefits	3,909,904.77	4,449,762.15
Depreciation	40,879.10	111,825.40
Amortisation of intangible assets	143.40	39,170.69
Amortisation of long-term deferred expenses	57,111.94	167,877.83
Business entertainment expenses	161,500.16	226,399.54
Office expenses	368,183.04	107,665.73
Transportation and travel expenses	166,678.33	261,675.25
Consultancy service fee	211,731.35	114,413.65
Outsourcing labor service fee	100,494.55	96,046.80
Business promotion expenses	2,696,024.12	3,695,604.38
Maintenance (protection) fee	13,793.21	3,584.20
Others	5,762.10	698,474.79
Total	7,732,206.07	9,972,500.41

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.43 Administrative expenses

Item	Amount in 2025	Amount in 2024
Employee benefits	136,228,747.19	129,004,061.40
Depreciation expense	19,677,491.13	17,850,551.80
Amortisation of intangible assets	2,887,520.62	4,190,150.74
Amortisation of long-term deferred expenses	8,814,153.72	8,751,064.86
Drugs and consumable turnover materials	1,449,479.17	3,012,235.08
Housing rental fee	4,020,340.37	3,732,284.42
Equity incentive	4,511,272.34	3,997,509.78
Office expense	4,767,633.22	5,031,789.54
Transportation and travel expense	4,660,700.77	4,977,716.48
Utility bills	740,276.80	977,577.12
Property management fees	7,049,469.60	6,849,479.49
Canteen expenses	2,497.76	349,803.81
Outsourcing labor fees	3,087,061.59	3,490,839.71
Consulting service fees	6,327,522.95	6,011,242.51
Auditor remuneration	3,095,200.00	3,025,987.32
Repair (maintenance) fees	11,440,216.13	10,919,254.63
Business entertainment expenses	4,126,304.84	5,713,396.43
Disability support fund	4,063,064.84	3,316,647.39
Comprehensive governance fund	3,957,287.08	3,084,988.50
Others	2,199,615.02	3,059,624.40
Total	233,105,855.14	227,346,205.41

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.44 R&D expenses

Item	Amount in 2025	Amount in 2024
Employee benefits	29,492,591.88	35,534,458.87
Outsourcing labor service fee		97,145.66
Depreciation expense	295,466.05	285,738.36
Amortisation of intangible assets	121,333.28	
Drugs and consumable materials	48,206.60	74,158.46
Amortisation of long-term deferred expenses		915.32
Testing fee	36,320.50	16,281.28
Conference fee	3,321.67	
Staff training fee	29,091.50	28,826.00
Transportation and travel expenses	5,556.71	11,422.21
Utility bills		9,622.22
Consulting service fees	11,580.00	23,000.00
Others	80,488.39	438,092.78
Total	30,123,956.58	36,519,661.16

5.45 Financial expenses

Item	Amount in 2025	Amount in 2024
Interest expenses	39,058,494.99	41,601,182.38
Including: interest expense of provisions	11,522,064.22	8,458,214.13
Less: interest income	842,390.82	3,122,805.73
Exchange gains and losses	30,314.57	157,162.49
Handling charge	1,067,323.20	1,057,179.95
Unrecognised financing losses	6,942,342.09	7,900,441.27
Total	46,256,084.03	47,593,160.36

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.46 Other income

Item	Amount in 2025	Amount in 2024
Government grants	23,279,911.83	13,058,565.88
Additional deduction of input tax	12,999.21	45.41
Service fee for withholding individual income tax	260,965.81	195,207.54
Total	23,553,876.85	13,253,818.83

5.47 Investment income

Item	Amount in 2025	Amount in 2024
Long-term equity investment measured at equity method	-1,463,514.07	-1,089,495.22
Investment income from disposal of long-term equity investment	4,804,189.70	1,844,372.15
Investment income from disposal of financial assets held for trading	12,086.31	
Total	3,352,761.94	754,876.93

5.48 Gains from changes in fair value

Source of gains from changes in fair value	Amount in 2025	Amount in 2024
Financial assets held for trading	745,794.27	588,023.88
Other non-current financial assets	-1,962,024.32	742,239.73
Financial liabilities held for trading	-1,805,503.25	-1,600,000.00
Total	-3,021,733.30	-269,736.39

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.49 Credit impairment losses

Item	Amount in 2025	Amount in 2024
Bad debt loss of accounts receivable	14,485,649.60	19,116,071.67
Bad debt losses of other receivables	-7,900,776.32	7,338,926.24
Total	6,584,873.28	26,454,997.91

5.50 Loss from asset impairment

Item	Amount in 2025	Amount in 2024
Impairment losses on long-term equity investments		10,745,274.26
Losses from impairment of intangible assets	14,000,000.04	
Goodwill impairment loss	11,455,745.38	5,750,655.32
Total	25,455,745.42	16,495,929.58

5.51 Gains from disposal of assets

Item	Amount in 2025	Amount in 2024	Amount included in the current non-recurring profit or loss
Gains from disposal of non-current assets (losses represented with “-” signs)	2,384,033.43	-70,063.09	2,384,033.43
Including: gains from disposal of fixed assets (losses represented with “-” signs)	111,052.48	-70,063.09	111,052.48
Gains from disposal of right-of-use assets (losses represented with “-” signs)	2,272,980.95		2,272,980.95
Others		130.80	
Total	2,384,033.43	-69,932.29	2,384,033.43

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.52 Non-operating revenue

Item	Amount in 2025	Amount in 2024	Amount included in the current non-recurring profit or loss
Gains from damage and retirement of non-current assets	35,042.85	157,773.18	35,042.85
Including: fixed assets	35,042.85	157,773.18	35,042.85
Accepting donations	267,263.75	46,960.37	267,263.75
Government grants		86,363.28	
Revenue from insurance proceeds	233,000.00		233,000.00
Various award revenue		89,700.00	
Payables that cannot be paid	722,808.91	86,864.89	722,808.91
Others	63,472.78	1,061,239.31	63,472.78
Total	1,321,588.29	1,528,901.03	1,321,588.29

5.53 Non-operating expenses

Item	Amount in 2025	Amount in 2024	Amount included in current non-recurring gains and losses
Loss on impairment and disposal of non-current assets	1,372,524.38	1,117,414.85	1,372,524.38
Including: fixed assets	1,368,774.38	1,117,414.85	1,368,774.38
intangible assets	3,750.00		3,750.00
External donations	3,069,645.91	2,697,864.84	3,069,645.91
Extraordinary losses	5,483.03	20,094.09	5,483.03
Inventory loss	59,434.72	49,092.37	59,434.72
Fines	8,852,014.48	1,606,766.04	8,852,014.48
Compensation for breach of contract	1,190,606.08	2,668,838.80	1,190,606.08
Others	2,347,434.42	622,957.51	2,347,434.42
Total	16,935,849.67	8,783,028.50	16,935,849.67

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.54 Income tax expense

5.54.1 Income tax expense table

Item	Amount in 2025	Amount in 2024
Current income tax expenses	29,205,809.65	35,746,101.09
Deferred income tax expenses	3,409,291.72	-18,044,325.80
Total	32,615,101.37	17,701,775.29

5.54.2 Adjustment process of accounting profits and income tax expenses

Item	Amount in 2025
Total profit	69,219,024.60
Income tax expense calculated at statutory or applicable tax rate	10,382,853.69
Impact of subsidiaries applying different tax rates	7,485,629.71
Impact of adjustments to prior period income tax	-1,844,265.75
Impact of non-taxable income	568,437.00
Impact of non-deductible costs, expenses, and losses	3,163,934.54
Impact of deductible losses using previously unrecognised deferred tax assets	-7,294,444.71
Impact of deductible temporary differences or deductible losses unrecognised as deferred tax assets in current period	25,822,434.66
Impact of additional deduction of R&D expenditures	-4,497,890.11
Impact of business combination not under common control	-1,171,587.66
Income tax expense	32,615,101.37

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.55 Earnings per share

5.55.1 Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares issued by the Company:

Item	Amount in 2025	Amount in 2024
Consolidated net profit attributable to ordinary shareholders of the company	54,395,979.83	65,610,188.85
Weighted average number of the Company's outstanding ordinary shares	71,953,133.33	74,278,583.33
Basic earnings per share	0.76	0.88
Including: basic earnings per share from going concern	0.76	0.88
Basic earnings per share from discontinued operations		

5.55.2 Diluted earnings per share

Diluted earnings per share are calculated by dividing the consolidated net profit (diluted) attributable to ordinary shareholders of the company by the weighted average number of ordinary shares (diluted) issued by the Company:

Item	Amount in 2025	Amount in 2024
Consolidated net profit attributable to ordinary shares shareholders of the company (diluted)	54,395,979.83	65,610,188.85
Weighted average number of ordinary shares issued by the Company (diluted)	71,953,133.33	74,278,583.33
Diluted earnings per share	0.76	0.88
Including: diluted earnings per share from continuing operations	0.76	0.88
Diluted earnings per share from discontinued operations		

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.56 Items of statement of cash flows

5.56.1 Cash related to operating activities

(1) Cash received from other operating activities

Item	Amount in 2025	Amount in 2024
Recovery of current accounts and advances	39,019,403.41	14,760,401.02
Revenue from government grants	29,003,272.23	17,327,632.97
Lease income	3,899,119.18	3,921,615.94
Donation income	267,263.75	46,960.37
Interest income	842,390.82	2,335,305.73
Non-operating revenue	296,472.78	1,150,939.31
Receipt of restricted cash at bank and on hand		7,000,000.00
Total	73,327,922.17	46,542,855.34

(2) Cash paid for other operating activities

Project	Amount in 2025	Amount in 2024
Inter-enterprise transactions	24,785,476.38	10,369,957.83
Expenses	70,773,344.24	69,909,138.48
Donation expenditure	3,069,645.91	2,697,864.84
Non-operating expenses	12,390,054.98	4,898,562.35
Financial expenses – others	1,067,323.20	1,250,922.69
Operating lease expense	487,730.15	3,586,496.26
Total	112,573,574.86	92,712,942.45

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.56 Items of statement of cash flows (continued)

5.56.2 Cash related to investing activities

(1) Cash received from other investing activities

Item	Amount in 2025	Amount in 2024
Cash received from redemption of bank financial products	13,000,000.00	
Total	13,000,000.00	

(2) Cash paid for other investing activities

Item	Amount in 2025	Amount in 2024
Cash paid for purchase of bank financial products	13,000,000.00	
Net cash paid for disposal of subsidiaries	29,192.78	942,428.37
Total	13,029,192.78	942,428.37

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.56 Items of statement of cash flows (continued)

5.56.3 Cash related to financing activities

(1) Cash received from other financing activities

Item	Amount in 2025	Amount in 2024
Cash received from sale and leaseback	850,000.00	60,000,000.00
Total	850,000.00	60,000,000.00

(2) Cash paid for other financing activities

Item	Amount in 2025	Amount in 2024
Cash paid for sale and leaseback	32,439,993.04	61,246,345.17
Cash paid for provisions	88,603,663.62	31,637,451.28
Cash paid for repurchase of shares	28,448,175.99	48,214,658.67
Cash paid for reduction of registered capital		9,821,161.72
Cash paid for acquisition of minority interests in subsidiaries	27,000,000.00	
Total	176,491,832.65	150,919,616.84

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.57 Supplementary information to the statement of cash flows

5.57.1 Supplementary information to the statement of cash flows

Supplementary information	Amount in 2025	Amount in 2024
1. Net profit adjusted to cash flows from operating activities		
Net profit	36,603,923.23	50,397,711.37
Add: credit impairment loss	6,584,873.28	26,454,997.91
Asset impairment loss	25,455,745.42	16,495,929.58
Depreciation of fixed assets	59,277,046.66	49,240,319.63
Depletion of oil and gas assets		
Depreciation of right-of-use assets	38,080,052.61	36,130,781.58
Amortisation of intangible assets	25,315,210.36	40,516,786.29
Amortisation of long-term deferred expenses	38,081,274.32	28,899,252.81
Loss on disposal of fixed assets, intangible assets, and other long-term assets (gains represented with “-” signs)	-2,384,033.43	69,932.29
Loss on scrapping of fixed assets (gains represented with “-” signs)	1,337,481.53	959,641.67
Fair value change loss (gains represented with “-” signs)	3,021,733.30	269,736.39
Finance costs (gains represented with “-” signs)	39,088,809.56	42,602,761.73
Investment loss (gains represented with “-” signs)	-3,352,761.94	-754,876.93
Deferred tax assets decrease (increases represented with “-” signs)	2,901,611.52	-11,051,274.17
Deferred tax liabilities increase (decreases represented with “-” signs)	506,999.64	-6,992,997.53
Inventory decrease (increases represented with “-” signs)	5,469,515.35	9,971,048.87
Operating receivables decrease (increases represented with “-” signs)	65,949,382.96	-66,194,329.87
Operating payables increase (decreases represented with “-” signs)	93,546,438.19	-121,374,427.72
Others	4,486,255.36	3,997,509.78
Net cash flow from operating activities	439,969,557.92	99,638,503.68

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.57 Supplementary information to the statement of cash flows (continued)

5.57.1 Supplementary information to the statement of cash flows (continued)

Supplementary information	Amount in 2025	Amount in 2024
2. Major investment and financing activities not involving cash flow		
Debt converted to equity		
Convertible corporate bonds maturing within one year		
Acquisition of right-of-use assets through provisions		
3. Net change in cash and cash equivalents		
Ending balance of cash	287,674,751.45	255,232,744.16
Less: beginning balance of cash	255,232,744.16	404,723,339.37
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	32,442,007.29	-149,490,595.21

5.57.2 Net cash paid to acquire subsidiaries during the period

Item	Amount
Cash or cash equivalents paid in current period for business combinations occurred in current period	44,000,000.00
Including: Hangzhou Yining Hospital Co., Ltd.	28,000,000.00
Wenzhou Deci Care Service Co., Ltd.	16,000,000.00
Less: cash and cash equivalents held by subsidiaries on the acquisition date	16,098,096.99
Including: Hangzhou Yining Hospital Co., Ltd.	10,683,725.70
Wenzhou Deci Care Service Co., Ltd.	5,414,371.29
Plus: cash or cash equivalents paid in current period for business combinations occurred in previous periods	
Net cash paid to acquire subsidiaries	27,901,903.01

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.57 Supplementary information to the statement of cash flows (continued)

5.57.3 Net cash received from disposal of subsidiaries during the period

Item	Amount
Cash or cash equivalents received from disposal of subsidiaries in 2025	
Including: Hangzhou Yining Medical Equipment Research and Development Co., Ltd.	
Less: cash and cash equivalents of subsidiaries on the date of loss of control	29,192.78
Including: Hangzhou Yining Medical Equipment Research and Development Co., Ltd.	29,192.78
Plus: cash or cash equivalents received in 2025 from disposal of subsidiaries in 2024	
Net cash received from disposal of subsidiaries	-29,192.78

5.57.4 Breakdown of cash and cash equivalents

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
I. Cash	287,674,751.45	255,232,744.16
Including: cash on hand	231,487.96	192,804.35
Digital currency available for immediate payment		
Bank deposits available for immediate payment	286,470,498.69	254,276,084.59
Other cash at bank and on hand available for immediate payment	972,764.80	763,855.22
Deposits with central bank available for payment		
Deposits with other banks		
Loans to banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Cash and cash equivalents at the end of the period	287,674,751.45	255,232,744.16

Cash at bank and on hand not belonging to cash and cash equivalents:

Item	Balance as at 31 December 2025	Balance as at 31 December 2024	Reasons for not belonging to cash and cash equivalents
Performance bond	5,000,000.00	5,000,000.00	Limited use
Foreign exchange supervision account	1,365,109.43	1,364,131.55	Limited use
Total	6,365,109.43	6,364,131.55	/

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.57 Supplementary information to the statement of cash flows (continued)

5.57.5 Supplier financing arrangements

(1) Terms and conditions of the supplier's financing arrangements

① Extension of payment period

Buyer's interest payment mode: the Company will choose the financing services provided by the financing party upon maturity, and the Company shall pay the amount payable to the designated special account before the due date of payment, and the financing party shall complete the payment before the due date of payment.

② Guarantee methods

The Company provided joint and several guarantee to the financing parties for the debts formed under this business model.

(2) Financial liabilities that are part of a financing arrangement for suppliers

Presentation items	Balance as at 31 December 2025	Balance as at 31 December 2024
Short-term borrowings	10,523,676.71	
Including: the amount that the supplier has received from the financing provider	10,523,676.71	

(3) Payment due date range

Type	At 31 December 2025
Financial liabilities that are part of a financing arrangement with suppliers	10,523,676.71
Comparable financial liabilities that are not part of the supplier's financing arrangements	

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.57 Supplementary information to the statement of cash flows (continued)

5.57.5 Supplier financing arrangements (continued)

- (4) The type and effect of current movement in the book balance of financial liabilities of the supplier financing arrangements that do not involve cash receipts and payments

Type	Amount in 2025	Amount in 2024
Financial liabilities that are part of a financing arrangement with suppliers	10,523,676.71	

5.58 Notes to items of the statement of changes in shareholders' equity

None

5.59 Foreign currency monetary items

Item	Balance of foreign currency as at 31 December 2025	Conversion rate	Balance of foreign currency converted into RMB as at 31 December 2025
Cash at bank and on hand			326,442.20
Including: USD	40,008.69	6.9158	276,692.10
HKD	56,211.63	0.88505	49,750.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

5 Notes to items of consolidated financial statements (continued)

5.60 Lease

5.60.1 As the Lessee

Item	Amount in 2025	Amount in 2024
Interest expense on provisions	11,522,064.22	8,458,214.13
Total cash outflow related to leases	121,043,656.66	92,883,796.45
Gains and losses related to the sale and leaseback transaction	6,942,342.09	7,884,721.10
Cash inflow from sale and leaseback transaction	850,000.00	60,000,000.00
Cash outflow of sale and leaseback transaction	32,439,993.04	61,246,345.17

The following is a summary of the Company's commitments for leases that have been entered into but not yet commenced, which are expected to result in future year cash outflows:

Remaining lease term	Undiscounted lease payments
Within 1 year	68,417,509.55
1 to 2 years	56,322,856.98
2 to 3 years	95,464,411.47
More than 3 years	66,163,647.33
Total	286,368,425.34

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

6 Changes in the consolidation scope

6.1 Business combination not under common control

6.1.1 Business combination not under common control in 2025

Name of the purchased party	Time point of equity acquisition	Cost of equity acquisition	Shareholding acquisition ratio (%)	Method of obtaining equity	Acquisition date	Basis for determining acquisition date	Revenue of the acquired party from acquisition date to period end	Net profit of the acquired party from acquisition date to period end	Cash flow of the acquired party from acquisition date to period end
Hangzhou Yining Hospital Co., Ltd.	31 May 2025	35,600,000.00	65.00	Cash acquisition	31 May 2025	Completion of equity delivery	19,744,154.59	-4,258,984.02	-4,140,576.81
Wenzhou Deci Care Service Co., Ltd.	31 August 2025	16,000,000.00	100.00	Cash acquisition	31 August 2025	Completion of equity delivery	11,889,168.62	526,879.67	-658,162.01

6.1.2 Cost of combination and goodwill

	Hangzhou Yining Hospital Limited company	Wenzhou Deci Care Service Co., Ltd.
Combination cost		
– Cash	28,000,000.00	16,000,000.00
– Fair value of non-cash assets		
– Fair value of issued or assumed liabilities	7,600,000.00	
– Fair value of issued equity securities		
– Fair value of contingent consideration		
– Fair value on the acquisition date of equity held before acquisition date		
– Others		
Total combination costs	35,600,000.00	16,000,000.00
Less: share of fair value of identifiable net assets acquired	22,701,183.23	4,918,029.37
The amount of goodwill/combination cost less than the fair value share of identifiable net assets obtained	12,898,816.77	11,081,970.63

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

6 Changes in the consolidation scope (continued)

6.1 Business combination not under common control (continued)

6.1.3 Identifiable assets and liabilities of the acquiree on the acquisition date

	Hangzhou Yining Hospital Co., Ltd.		Wenzhou Deci Care Service Co., Ltd.	
	Fair value on the acquisition date	Book value on the acquisition date	Fair value on the acquisition date	Book value on the acquisition date
Assets:	88,586,325.58	70,800,279.48	10,080,947.55	10,080,947.55
Cash at bank and on hand	10,683,725.70	10,683,725.70	5,414,371.29	5,414,371.29
Receivables	5,611,315.68	5,611,315.68	4,640,769.51	4,640,769.51
Advances to suppliers	11,966.69	11,966.69	24,750.00	24,750.00
Inventories	872,927.05	872,927.05		
Fixed assets	1,598,098.97	484,744.28		
Intangible assets	24,042,500.04	1,091,469.96		
Right-of-use assets	41,886,805.14	41,886,805.14		
Long-term deferred expenses	1,828,479.92	1,828,479.92		
Deferred tax assets	2,050,506.39	8,328,845.06	1,056.75	1,056.75
Liabilities:	57,753,735.99	57,753,735.99	5,162,918.18	5,162,918.18
Payables	2,819,655.50	2,819,655.50	750,490.02	750,490.02
Receipts in advance	923,339.06	923,339.06	725,473.00	725,473.00
Employee benefits payable	1,472,442.86	1,472,442.86	3,509,669.27	3,509,669.27
Taxes payable	31,295.32	31,295.32	177,285.89	177,285.89
Provisions	52,507,003.25	52,507,003.25		
Net assets	30,832,589.59	13,046,543.49	4,918,029.37	4,918,029.37
Less: Minority equity	8,131,406.36	4,566,290.22		
Acquired net assets	22,701,183.23	8,480,253.27	4,918,029.37	4,918,029.37

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

6 Changes in the consolidation scope (continued)

6.2 Disposal of subsidiaries

6.2.1 Transactions or events that led to the loss of control over subsidiaries in 2025

Name of subsidiary	Disposal price at the time of loss of control	Proportion of disposal at the time of loss of control (%)	Disposal method at the time of loss of control	Time point of loss of control	Judgment basis for the time point of losing the control	Difference between the disposal price and the share of net assets of the subsidiary enjoyed by the disposal investment at the consolidated financial statement level	Proportion of residual equity of loss of control	Book value of the remaining equity at the level of consolidated statements on the date of loss of control	Fair value of the remaining equity on the date of loss of control in consolidated financial statements	Gain or loss from remeasurement of the remaining equity at fair value	Method and key assumptions for determining fair value of remaining equity on the date of loss of control in consolidated financial statements	Amount of other comprehensive income related to original subsidiary equity investment transferred to investment earnings
Hangzhou Yiming Medical Equipment Research and Development Co., Ltd.	30,000.00	100.00	Sale	12 June 2025	Equity delivery	807.22						

6.3 Changes in consolidation scope for other reasons

- On 18 April 2025, the Group's subsidiary, Wenzhou Ancare Pharmacy Co., Ltd., completed the cancellation of the industry and commerce.
- On 25 June 2025, the Group established a subsidiary, Zhejiang Youning Pharmaceutical Co., Ltd., with a registered capital of RMB10 million. As of 31 December 2025, the paid-up capital was RMB1.5 million.
- On 25 August 2025, the Group established a new subsidiary, Wenzhou Deci Nursing Station Co., Ltd., with a registered capital of RMB1 million, and the paid-up capital was RMB500,000 as of 31 December 2025.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities

7.1 Interests in subsidiaries

7.1.1 Composition of enterprise groups

Name of subsidiary	Category of legal person	Registered capital	Main place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
						Direct	Indirect	
Zhejiang Yining Elderly Health Service Co., Ltd.	Limited liability company	33,000.00	Wenzhou	Wenzhou	Hospital management	100.00		Establishment
Cangnan Yining Nursing Center Co., Ltd.	Limited liability company	1,000.00	Cangnan	Cangnan	Medical services		100.00	Establishment
Wenzhou Ouhai Yining Elderly Hospital Co., Ltd.	Limited liability company	1,000.00	Wenzhou	Wenzhou	Medical services		65.00	Establishment
Wenzhou Cining Hospital Co., Ltd.	Limited liability company	2,585.98	Wenzhou	Wenzhou	Medical services		100.00	Business combination not under common control
Pingyang Changgeng Yining Hospital Co., Ltd.	Limited liability company	3,057.47	Wenzhou	Wenzhou	Medical services		100.00	Business combination not under common control
Yueqing Yining integrated Traditional and Western Medicine Hospital Co., Ltd.	Limited liability company	9,800.00	Yueqing	Yueqing	Medical services		100.00	Business combination not under common control
Wenzhou Yining Nursing Home Co., Ltd.	Limited liability company	500.00	Wenzhou	Wenzhou	Medical services		100.00	Establishment
Hangzhou Yining Hospital Co., Ltd.	Limited liability company	5,000.00	Hangzhou	Hangzhou	Medical services		65.00	Business combination not under common control
Wenzhou Deci Care Service Co., Ltd.	Limited liability company	200.00	Wenzhou	Wenzhou	Elderly care services		100.00	Business combination not under common control
Wenzhou Deci Nursing Station Co., Ltd.	Limited liability company	100.00	Wenzhou	Wenzhou	Elderly care services		100.00	Establishment
Zhejiang Youning Pharmaceutical Co., Ltd.	Limited liability company	1,000.00	Lishui	Lishui	Pharmaceutical wholesale and retail		100.00	Establishment
Zhejiang Kangning Hospital Management (Group) Co., Ltd.	Limited liability company	20,000.00	Ningbo	Ningbo	Hospital management	100.00		Establishment
Pingyang Kangning Hospital Co., Ltd.	Limited liability company	600.00	Pingyang	Pingyang	Medical services		100.00	Establishment

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.1 Interests in subsidiaries (continued)

7.1.1 Composition of enterprise groups (continued)

Name of subsidiary	Category of legal person	Registered capital	Main place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
						Direct	Indirect	
Wenzhou Yining Geriatric Hospital Co., Ltd.	Limited liability company	6,000.00	Wenzhou	Wenzhou	Medical services	100.00		Establishment
Quzhou Yining Hospital Co., Ltd.	Limited liability company	3,000.00	Quzhou	Quzhou	Medical services	60.00		Establishment
Taizhou Luqiao Cining Hospital Co., Ltd.	Limited liability company	1,000.00	Taizhou	Taizhou	Medical services	51.00		Establishment
Yiwu Kangning Hospital Management Co., Ltd.	Limited liability company	3,000.00	Yiwu	Yiwu	Hospital management	100.00		Establishment
Taizhou Kangning Hospital Co., Ltd.	Limited liability company	1,000.00	Taizhou	Taizhou	Medical services		51.00	Business combination not under common control
Hangzhou Cining Hospital Co., Ltd.	Limited liability company	100.00	Hangzhou	Hangzhou	Medical services	100.00		Establishment
Wenzhou Tianzhentang TCM Clinic Co., Ltd.	Limited liability company	500.00	Wenzhou	Wenzhou	Medical services	100.00		Establishment
Zhejiang Jerinte Health Technology Co., Ltd.	Limited liability company	1,000.00	Hangzhou	Hangzhou	Technical services	100.00		Establishment
Nanjing Yining Hospital Co., Ltd.	Limited liability company	1,000.00	Nanjing	Nanjing	Medical services	85.65		Business combination not under common control
Heze Yining Psychiatric Hospital Co., Ltd.	Limited liability company	3,000.00	Heze	Heze	Medical services	51.00		Business combination not under common control
Guanxian Yining Hospital Co., Ltd.	Limited liability company	1,000.00	Guanxian	Guanxian	Medical services			Business combination not under common control
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Limited liability company	753.00	Taizhou	Taizhou	Medical services	68.80		Business combination not under common control
Beijing Yining Hospital Co., Ltd.	Limited liability company	4,653.67	Beijing	Beijing	Medical services	67.77		Establishment
Wenzhou Yixin Health Technology Co., Ltd.	Limited liability company	50.00	Wenzhou	Wenzhou	Technical services	100.00		Business combination not under common control
Huainan Kangning Hospital Co., Ltd.	Limited liability company	1,000.00	Huainan	Huainan	Medical services	95.00		Business combination not under common control

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.1 Interests in subsidiaries (continued)

7.1.1 Composition of enterprise groups (continued)

Name of subsidiary	Category of legal person	Registered capital	Main place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
						Direct	Indirect	
Zhejiang Yining Health Technology Co., Ltd.	Limited liability company	2,040.82	Hangzhou	Hangzhou	Technical services		98.00	Establishment
Wenzhou Yining Pharmacy Co., Ltd.	Limited liability company	50.00	Wenzhou	Wenzhou	Pharmaceutical retail		100.00	Establishment
Yining Psychological Internet Hospital (Wenzhou) Co., Ltd.	Limited liability company	500.00	Wenzhou	Wenzhou	Hospital management		100.00	Establishment
Zhejiang Dening Pharmaceutical Co., Ltd.	Limited liability company	1,000.00	Wenzhou	Wenzhou	Pharmaceutical wholesale and retail		80.00	Establishment
Changchun Kanglin Psychological Hospital Co., Ltd.	Limited liability company	1,000.00	Changchun	Changchun	Medical services		64.55	Business combination not under common control
Hangzhou Yining Nursery Service Co., Ltd.	Limited liability company	100.00	Hangzhou	Hangzhou	Nursing services		100.00	Establishment
Linhai Cining Hospital Co., Ltd.	Limited liability company	5,000.00	Taizhou	Taizhou	Medical services		100.00	Establishment
Shenzhen Yining Hospital	Limited liability company	6,000.00	Shenzhen	Shenzhen	Medical services		55.00	Establishment
Pujiang Yining Huangfeng Hospital Co., Ltd.	Limited liability company	1,400.00	Jinhua	Jinhua	Medical services		95.00	Establishment
Chun'an Kangning Huangfeng Hospital Co., Ltd.	Limited liability company	1,000.00	Hangzhou	Hangzhou	Medical services		80.00	Establishment
Longquan Kangning Hospital Co., Ltd.	Limited liability company	3,000.00	Lishui	Lishui	Medical services		100.00	Establishment
Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd.	Limited liability company	2,083.33	Chengdu	Chengdu	Medical services		76.00	Business combination not under common control
Wenzhou Gaopin Fangzhou Hospital Co., Ltd.	Limited liability company	1,000.00	Wenzhou	Wenzhou	Medical services		100.00	Establishment
Cangnan Kangning Hospital Co., Ltd.	Limited liability company	5,000.00	Cangnan	Cangnan	Medical services	100.00		Establishment
Yueqing Kangning Hospital Co., Ltd.	Limited liability company	500.00	Yueqing	Yueqing	Medical services	100.00		Establishment
Linhai Kangning Hospital Co., Ltd.	Limited liability company	200.00	Taizhou	Taizhou	Medical services	85.00		Establishment
Qingtian Kangning Hospital Co., Ltd.	Limited liability company	436.00	Lishui	Lishui	Medical services	100.00		Establishment

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.1 Interests in subsidiaries (continued)

7.1.1 Composition of enterprise groups (continued)

Name of subsidiary	Category of legal person	Registered capital	Main place of business	Registration place	Nature of business	Shareholding ratio (%)		Acquisition method
						Direct	Indirect	
Wenzhou Kangning Judicial Forensic Centre	Forensic Identification Agency	50.00	Wenzhou	Wenzhou	Forensic identification	100.00		Establishment
Wenzhou Lucheng Yining Hospital Co., Ltd.	Limited liability company	10,000.00	Wenzhou	Wenzhou	Medical services	60.00		Establishment
Yongjia Kangning Hospital Co., Ltd.	Limited liability company	2,700.00	Wenzhou	Wenzhou	Medical services	100.00		Establishment
Jinyun Shuning Hospital Co., Ltd.	Limited liability company	2,398.26	Jinyun	Jinyun	Medical services	55.00		Business combination not under common control
Loudi City Kangle Kangning Hospital Co., Ltd.	Limited liability company	2,040.00	Loudi	Loudi	Medical services	51.00		Business combination not under common control
Dongkou Lening Hospital Co., Ltd.	Limited liability company	1,800.00	Shaoyang	Shaoyang	Medical services	51.00		Business combination not under common control
Wenzhou Kangning Psychological Consulting Co., Ltd.	Limited liability company	50.00	Wenzhou	Wenzhou	Medical services	100.00		Establishment
Jiaying Jiuli Kangzi Certificate Equity Investment Partnership (Limited Partnership)	Limited Partnership	6,001.00	Jiaying	Jiaying	Equity Investment	61.27	25.80	Establishment
Qingtian Kangning Property Management Co., Ltd.	Limited Liability Company	2,764.00	Lishui	Lishui	Property management	100.00		Establishment

Explanation on the difference between the shareholding ratio and the voting ratio in subsidiaries:

According to the Articles of Association of Wenzhou Ouhai Yining Elderly Hospital Co., Ltd., the voting rights are exercised in accordance with the proportion of the shareholders' paid-in capital, and the proportion of the Company's paid-in capital is 100%.

Basis for controlling an investee despite holding half or less of the voting rights, and for not controlling an investee despite holding more than half of the voting rights:

The Company has entered into an equity transfer agreement with Hangzhou Yidong Technology Co., Ltd. in respect of its 90% equity interest in Guanxian Yining Hospital Co., Ltd. As at 31 December 2025, Hangzhou Yidong Technology Co., Ltd. had not yet paid the equity transfer consideration. Therefore, in accordance with the relevant terms of the equity transfer agreement, the rights and obligations relating to the 90% equity interest in Guanxian Yining Hospital Co., Ltd. remain with the Company.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.1 Interests in subsidiaries (continued)

7.1.2 Significant non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in 2025	Dividends declared for distribution to minority shareholders in 2025	Balance of minority equity as at 31 December 2025
Wenzhou Lucheng Yining Hospital Co., Ltd.	40.00	-556,708.88		37,565,639.83
Jinyun Shuning Hospital Co., Ltd.	45.00	-2,030,443.47		13,278,391.92
Zhejiang Dening Pharmaceutical Co., Ltd.	20.00	47,364.17	401,123.89	21,104,045.97
Hangzhou Yining Hospital Co., Ltd.	35.00	-1,508,199.09		6,623,207.27

7.1.3 Key financial information of important non-wholly-owned subsidiaries

Subsidiary name	Balance as at 31 December 2025					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Lucheng Yining Hospital Co., Ltd.	17,496,897.22	252,013,016.41	269,509,913.63	63,628,434.03	111,967,380.00	175,595,814.03
Jinyun Shuning Hospital Co., Ltd.	11,524,763.22	66,782,837.21	78,307,600.43	10,076,431.15	37,468,468.46	47,544,899.61
Zhejiang Dening Pharmaceutical Co., Ltd.	172,867,810.34	853,963.27	173,721,773.61	112,153,608.69		112,153,608.69
Hangzhou Yining Hospital Co., Ltd.	13,183,362.26	72,877,579.64	86,060,941.90	16,371,612.88	50,765,879.69	67,137,492.57

Subsidiary name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Lucheng Yining Hospital Co., Ltd.	11,954,272.04	184,644,954.86	196,599,226.90	699,355.11	115,594,000.00	116,293,355.11
Jinyun Shuning Hospital Co., Ltd.	12,386,739.26	70,370,750.35	82,757,489.61	19,680,759.72	27,801,932.47	47,482,692.19
Zhejiang Dening Pharmaceutical Co., Ltd.	182,793,237.29	1,120,808.89	183,914,046.18	63,460,532.96	571,689.49	64,032,222.45
Hangzhou Yining Hospital Co., Ltd.	16,256,911.21	54,152,590.34	70,409,501.55	21,396,266.69	45,532,814.70	66,929,081.39

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.1 Interests in subsidiaries (continued)

7.1.3 Key financial information of important non-wholly-owned subsidiaries (continued)

Subsidiary name	Amount in 2025				Amount in 2024			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Wenzhou Lucheng Yining Hospital Co., Ltd.	13,761.47	-1,391,772.19	-1,391,772.19	44,202,706.15		-611,479.16	-611,479.16	7,245,184.48
Jinyun Shuning Hospital Co., Ltd.	23,791,240.26	-4,512,096.60	-4,512,096.60	-914,868.71	21,628,716.48	-5,283,243.08	-5,283,243.08	-2,089,467.09
Zhejiang Dening Pharmaceutical Co., Ltd.	254,846,253.81	50,397,069.25	50,397,069.25	60,475,851.58	259,009,014.12	61,228,047.65	61,228,047.65	13,240,617.58
Hangzhou Yining Hospital Co., Ltd.	19,744,154.59	-4,309,140.26	-4,309,140.26	1,902,046.12	37,733,719.76	448,425.16	448,425.16	5,714,546.37

7.2 Transactions where ownership interest in a subsidiary changes but control is retained

7.2.1 Notes to changes in the share of shareholders' equity in subsidiaries

In June 2025, the Company purchased 11.73% and 14.93% of the equity of Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (hereinafter referred to as "Chengdu Yining") held by Chongqing Jinpu Medical Health Service Industry Equity Investment Fund Partnership (Limited Partnership) and Chongqing Jinpu Phase II Medical Health Service Industry Equity Investment Fund Partnership (Limited Partnership) respectively, with a total equity consideration of RMB27,000,000.00.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.2 Transactions where ownership interest in a subsidiary changes but control is retained (continued)

7.2.2 Impact of transactions on minority equity and equity attributable to owners of the parent

	Chengdu Yining
Purchase cost/disposal consideration	27,000,000.00
– Cash	27,000,000.00
Total purchase cost/disposal consideration	27,000,000.00
Less: share of net assets of subsidiaries calculated according to the proportion of equity acquired/disposed	-3,943,297.66
Difference	30,943,297.66
Including: adjusted capital surplus	30,943,297.66
Adjustment to surplus reserves	
Adjustment to retained earnings	

7.3 Equity in joint venture arrangements or associates

7.3.1 Significant joint ventures or associates

Name of joint venture or associate	Main business place	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment methods for investments in joint ventures or associates	Whether it is strategic to the activities of the Company
				Direct	Indirect		
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	Xi'an	Xi'an	Hospital management		30.00	Equity method	Yes
Wenzhou Longwan Yining Hospital Co., Ltd.	Wenzhou	Wenzhou	Medical services	45.00		Equity method	Yes

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

7 Interests in other entities (continued)

7.3 Equity in joint venture arrangements or associates (continued)

7.3.2 Key financial information of important associates

	Balance as at 31 December 2025/Amount in 2025		Balance as at 31 December 2024/amount in 2024	
	Shanxi Shanda	Longwan Yining	Shanxi Shanda	Longwan Yining
Current assets	52,325,788.02	1,862,472.90	48,352,443.86	196,852.44
Non-current assets	121,989,736.52	255,093,748.77	120,536,919.01	219,142,045.33
Total assets	174,315,524.54	256,956,221.67	168,889,362.87	219,338,897.77
Current liabilities	98,820,684.44	41,510,269.10	90,135,768.43	38,926,869.26
Non-current liabilities	15,000,000.00	90,995,141.93	15,000,000.00	55,023,631.60
Total liabilities	113,820,684.44	132,505,411.03	105,135,768.43	93,950,500.86
Minority equity	19,373,422.12		19,872,251.77	
Equity attributable to parent company shareholders	41,121,417.98	124,450,810.64	43,881,342.67	125,388,396.91
Net asset share calculated based on shareholding ratio	12,336,425.39	56,002,864.79	13,164,402.80	56,424,778.61
Adjustment items	8,555,233.95		8,825,233.95	
– Goodwill	8,825,233.95		8,825,233.95	
– Unrealised profit from internal transactions				
– Others	-270,000.00			
Book value of equity investment in associates	20,891,659.34	56,002,864.79	21,989,636.75	56,424,778.61
Fair value of equity investment in associates with public quotations				
Operating revenue	67,440,557.10		58,785,707.81	
Net profit	-4,424,497.45	-937,586.27	-464,715.82	-925,898.33
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-4,424,497.45	-937,586.27	-464,715.82	-925,898.33

Dividends received from associates in the current period

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

8 Government grants

8.1 Government grants included in the current profit or loss

Type	Amount in 2025	Amount in 2024
Assets-related government grants	303,792.00	303,792.00
Income-related government grants	22,976,119.83	12,841,137.16
Total	23,279,911.83	13,144,929.16

8.2 Liability items involving government grants

Liability items	Balance as at 31 December 2024	Newly increased subsidy amount in 2025	Amount included in non-operating revenue in 2025	Amount transferred to other income in 2025	Costs and expenses written off in 2025	Other changes	Balance as at 31 December 2025	Related to assets/related to income
Deferred income	8,430,307.00	10,080,000.00		303,792.00			18,206,515.00	Related to assets

9 Risks related to financial instruments

9.1 Various risks arising from financial instruments

The Company faces various financial risks in its operations: credit risk, liquidity risk, and market risk (including exchange rate risk, interest rate risk, and other price risks). The financial risks mentioned above and the Company's risk management policies to mitigate these risks are described as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has established risk management policies to identify and analyze the risks it faces. These policies specify particular risks and cover various aspects such as market risk, credit risk, and liquidity risk management. The Company regularly evaluates changes in the market environment and its business activities to determine whether updates to risk management policies and systems are necessary. The Company's risk management is carried out by the Risk Management Committee in accordance with policies approved by the Board of Directors. The Risk Management Committee works closely with other business departments of the Company to identify, assess, and mitigate relevant risks. The Company's internal audit department conducts regular reviews of risk management controls and procedures and reports the results to the Audit Committee.

The Company diversifies financial instrument risks through appropriate investment and business portfolios and reduces risks concentrated in a single industry, specific region, or particular counterparty by formulating corresponding risk management policies.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

9 Risks related to financial instruments (continued)

9.1 Various risks arising from financial instruments (continued)

9.1.1 Credit risk

Credit risk refers to the risk of financial loss to the Company due to the counterparty's failure to fulfill contractual obligations.

The Company's cash at bank and on hand are mainly bank deposits placed in reputable state-owned banks and other large and medium-sized listed banks with high credit ratings. The Company believes there is no significant credit risk and almost no major loss due to bank default.

The Company's accounts receivable mainly come from the sale of drugs and provision of medical services to patients, and also include receivable management service fees. According to the social security policies of the hospitals' locations, patients' medical expenses are usually jointly borne by the patients and social insurance. The Company usually collects partial receipts in advance when patients are admitted and settles the outstanding amount that patients need to pay upon discharge. For patients who have not settled their accounts upon discharge, the Company regularly collects and promptly recovers the personal arrears. For medical expenses covered by social insurance, the Company issues invoices to patients and promptly applies for reimbursement from social insurance institutions. Reimbursement is usually received within 2-9 months after application, and the Company believes there is no significant credit risk for these funds. Some medical expenses are paid by government departments such as the civil affairs bureau and the disabled persons' federation where the hospitals are located. The Company adopts different collection monitoring mechanisms for different payers.

9.1.2 Liquidity risk

Liquidity risk refers to the risk of the Company experiencing a shortage of funds when fulfilling obligations settled by delivering cash or other financial assets.

The Company's policy is to ensure sufficient cash to repay maturing debts. Liquidity risk is centrally managed by the Company's finance department. The finance department ensures sufficient funds to repay debts under all reasonable forecasts by monitoring cash balances, readily marketable securities, and rolling forecasts of cash flows for the next 12 months. It also continuously monitors compliance with loan agreements and secures commitments from major financial institutions to provide adequate standby funding to meet short-term and long-term capital needs.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

9 Risks related to financial instruments (continued)

9.1 Various risks arising from financial instruments (continued)

9.1.2 Liquidity risk (continued)

The Company's financial liabilities are presented below by maturity based on undiscounted contractual cash flows:

Item	Balance as at 31 December 2025					Total	Book value
	Immediate repayment	Within 1 year	1-2 years	2-5 years	More than 5 years	undiscounted contract amount	
Bank loans		242,233,676.71	206,799,626.30	261,353,295.70	389,749,543.45	1,100,136,142.16	989,186,634.18
Provisions		36,422,400.23	26,754,091.69	87,529,357.31	48,765,941.63	199,471,790.86	184,898,051.41
Long-term payables		31,995,109.32	29,568,765.29	25,332,759.87		86,896,634.48	79,414,942.08
Accounts payable		156,277,714.53	2,848,066.71	1,229,010.41		160,354,791.65	160,354,791.65
Other payables		327,949.30	49,230,863.16	38,700,306.84		88,259,119.30	88,259,119.30
Total		467,256,850.09	315,201,413.15	414,144,730.13	438,515,485.08	1,635,118,478.45	1,502,113,538.62

Item	Balance as at 31 December 2024					Total	Book value
	Immediate repayment	Within 1 year	1-2 years	2-5 years	Over 5 years	undiscounted contract amount	
Bank loans		295,897,567.90	231,446,702.05	332,391,684.58	258,553,226.86	1,118,289,181.39	946,187,337.44
Provisions		26,733,022.63	45,988,901.90	58,725,671.39	86,707,676.25	218,155,272.17	178,033,085.43
Long-term payables		38,367,421.50	30,877,984.00	57,282,769.00		126,528,174.50	110,284,300.10
Accounts payable		127,861,415.20	3,124,361.77	950,603.01		131,936,379.98	131,936,379.98
Other payables		33,007,700.14	29,568,765.29	18,710,967.72		81,287,433.15	81,287,433.15
Total		521,867,127.37	341,006,715.01	468,061,695.70	345,260,903.11	1,676,196,441.19	1,447,728,536.10

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

9 Risks related to financial instruments (continued)

9.1 Various risks arising from financial instruments (continued)

9.1.3 Market risk

Market risk of financial instruments refers to the risk of fluctuations in fair value or future cash flows due to changes in market prices, including exchange rate risk, interest rate risk, and other price risks.

(1) Interest rate risk

Interest rate risk refers to the risk of fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

Fixed-rate and floating-rate interest-bearing financial instruments expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the proportion of fixed and floating rate instruments based on the market conditions and maintains an appropriate mix of fixed and floating rate instruments through regular review and monitoring. When necessary, the Company will use the interest rate swap tool to hedge the interest rate risk.

As at 31 December 2025, the Company's long-term interest-bearing debt was mainly RMB-denominated fixed-rate contracts.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company continuously monitors the size of foreign currency transactions and foreign currency assets and liabilities to minimize the foreign exchange risks to which it is exposed. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks. During the current and prior periods, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

9 Risks related to financial instruments (continued)

9.1 Various risks arising from financial instruments (continued)

9.1.3 Market risk (continued)

(2) Exchange rate risk (continued)

The exchange rate risk faced by the Company mainly comes from the financial assets and financial liabilities denominated in USD. The amounts of foreign currency financial assets and foreign currency financial liabilities translated into RMB are as follows:

Item	Balance as at 31 December 2025			Balance as at 31 December 2024		
	USD	Other foreign		USD	Other foreign	
		USD	currencies		Total	USD
Cash at bank and on hand	276,692.10	49,750.10	326,442.20	287,569.57	46,036.70	333,606.27
Total	276,692.10	49,750.10	326,442.20	287,569.57	46,036.70	333,606.27

As of 31 December 2025, assuming all other variables held constant, a 3% increase or decrease in RMB against USD would increase or decrease the Company's net profit by RMB9,793.27 (31 December 2024: RMB10,008.19). The management believes that 3% can reasonably reflect the possible change range of RMB against USD in the next year.

(3) Other price risks

Other price risk refers to the risk that the fair value or future cash flow of a financial instrument fluctuates due to changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risks mainly arise from various equity instrument investments, and there are risks of changes in the price of equity instruments.

On 31 December 2025, with all other variables held constant, if the value of the equity instrument increases or decreases by 3%, the Company will increase or decrease net profit by RMB1,100,893.62 (31 December 2024: net profit of RMB1,340,803.16).

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

10 Disclosure of fair value

The input value used for fair value measurement is divided into three levels:

Level 1 input value is the unadjusted quotation of the same assets or liabilities in the active market on the measurement date.

Level 2 input value is the input value that can be directly or indirectly observed by the relevant assets or liabilities except the first level input value.

Level 3 input value is the unobservable input value of the relevant assets or liabilities.

The level of the fair value measurement result is determined by the lowest level of the input value that is significant to the fair value measurement as a whole.

10.1 Fair value of assets and liabilities as at 31 December 2025

Item	Fair value as at 31 December 2025			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Continuous fair value measurement				
◆ Financial assets held for trading			8,573,388.20	8,573,388.20
1. Financial assets measured at fair value through the current profit or loss			8,573,388.20	8,573,388.20
(1) Debt instrument investment				
(2) Equity instrument investment			8,573,388.20	8,573,388.20
(3) Derivative financial assets				
(4) Others				
2. Designated to be financial assets measured at fair value through the current profit or loss				
(1) Debt instrument investment				
(2) Others				
◆ Receivables financing				
◆ Other debt investments				
◆ Other equity instrument investments				

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

10 Disclosure of fair value (continued)

10.1 Fair value of assets and liabilities as at 31 December 2025 (continued)

Item	Fair value as at 31 December 2025			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
◆ Other non-current financial assets			28,123,065.82	28,123,065.82
1. Financial assets measured at fair value through the current profit or loss			28,123,065.82	28,123,065.82
(1) Debt instrument investment				
(2) Equity instrument investment			28,123,065.82	28,123,065.82
(3) Derivative financial assets				
(4) Others				
2. Designated to be financial assets measured at fair value through the current profit or loss				
(1) Debt instrument investment				
(2) Others				
Total assets measured at fair value continuously			36,696,454.02	36,696,454.02
◆ Financial liabilities held for trading			1,805,503.25	1,805,503.25
1. Financial liabilities held for trading			1,805,503.25	1,805,503.25
(1) Issued trading bonds				
(2) Derivative financial liabilities				
(3) Others			1,805,503.25	1,805,503.25
2. Designated to be financial liabilities measured at fair value through the current profit or loss				
Total liabilities measured at fair value continuously			1,805,503.25	1,805,503.25
II. Non-continuous fair value measurement				
◆ Assets held for sale				
Total assets measured at fair value continuously				
◆ Liabilities held for sale				
Total liabilities measured at fair value continuously				

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

10 Disclosure of fair value (continued)

10.2 Qualitative and quantitative information on the valuation techniques and significant parameters used for items measured at Level 3 of the continuous and non-continuous fair value hierarchy

Item	Fair value as at 31 December 2025	Valuation techniques	Unobservable inputs	Range
				(Weighted average)
Financial assets held for trading	8,573,388.20	Discounted cash flow method	Weighted average cost of capital	8%
Other non-current financial assets	28,123,065.82	Market method	Price-to-earnings ratio	69.91
			Price-to-book ratio	1.97-4.31
			Liquidity discount	23.91%-24.71%
Financial liabilities held for trading	1,805,503.25	Discounted cash flow method Cash flow discount method	Weighted average cost of capital	9%
			Future cash flow	Excess performance commitment

11 Related parties and related-party transactions

11.1 Parent company of the Company

The ultimate controllers of the Company are Guan Weili and his spouse Wang Lianyue.

11.2 Subsidiaries of the Company

See “Note 7 Equity in other entities” for details of subsidiaries of the Company.

11.3 Joint ventures and associates of the Company

See “Note 7 Equity in other entities” for details of significant joint ventures and associates of the Company.

Other joint ventures or associates that have related party transactions with the Company in 2025 or have related party transactions with the Company in 2024 to form balances are as follows:

Name of joint venture or associate	Relationship with the Company
Hangzhou Ancare Medical Technology Co., Ltd.	Associate of the Company
Wenzhou Longwan Yining Hospital Co., Ltd.	Associate of the Company
Shaanxi Shenda Hospital Management Consulting Co., Ltd.	Associate of the Company
Chongqing Hechuan Kangning Hospital Co., Ltd.	Associate of the Company
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Associate of the Company
Wenzhou Ouyue Health Management Co., Ltd.	Associate of the Company

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.4 Other related parties

Name of other related parties	Relationship between other related parties and the Company
Yiwu Mental Health Center	Non-profit institutions invested by the Company and with members of the board dispatched by the Company
Luonan Shanda Rehabilitation Hospital Co., Ltd.	Subsidiary of the Company's associate
Zhejiang Tianqu Environmental Construction Co., Ltd.	Minority shareholder of the Company's subsidiary
Zhejiang Yangge Property Management Co., Ltd.	Minority shareholder of the Company's subsidiary
Wenzhou Donghu Property Management Co., Ltd.	Minority shareholder of the Company's subsidiary
Cai Wenqin	Minority shareholder of the Company's subsidiary
Chen Guanghong	Minority shareholder of the Company's subsidiary
Jiang Danping	Minority shareholder of the Company's subsidiary
Wu Lianxi	Minority shareholder of the Company's subsidiary
Wu Zihuang	Minority shareholder of the Company's subsidiary
Xu Xiuhu	Minority shareholder of the Company's subsidiary
Wang Changsheng	Minority shareholder of the Company's subsidiary
Qu Kaisheng	Minority shareholder of the Company's subsidiary
Ye Liangfu	Relative of the ultimate controller of the Company
Wang Hongyue	One of the major shareholders of the Company and a direct relative of the ultimate controller of the Company
Xu Yi	Spouse of one of the major shareholders of the Company and a direct relative of the ultimate controller of the Company

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.5 Related-party transaction

11.5.1 Related-party transaction of purchase and sale of goods, rendering and receipt of services

Purchase of goods/receipt of labor services

Related party	Related-party transaction content	Amount in 2025	Amount in 2024
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Purchase of drugs	447,789.38	117,517.37
Ye Liangfu	Canteen expenditure	627,851.53	933,864.76
Hangzhou Ancare Medical Technology Co., Ltd.	Purchase of medicines		300,000.00

Table of sold goods/provided labor services

Related party	Related-party transaction content	Amount in 2025	Amount in 2024
Yiwu Mental Health Center	Medical management services	2,227,722.78	2,970,297.04
	Sales of drugs	487,044.25	

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.5 Related-party transaction (Continued)

11.5.2 Associated guarantee

The Company as the guarantor:

The guaranteed	Guarantee amount	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been performed
Quzhou Yining Hospital Co., Ltd.	60,000,000.00	2023/10/9	2034/10/9	No
Yongjia Kangning Hospital Co., Ltd.	60,000,000.00	2019/8/20	2031/8/21	No
Linhai Cining Hospital Co., Ltd.	68,440,000.00	2023/4/3	2032/3/2	No
Hangzhou Ancare Medical Technology Co., Ltd.	32,400,000.00	2024/7/1	2027/6/30	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	8,400,000.00	2024/3/31	2027/3/31	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	103,000,000.00	2023/10/12	2034/10/9	No
Yongjia Kangning Hospital Co., Ltd.	12,000,000.00	2024/7/18	2029/6/18	No
Yueqing Yining integrated Traditional and Western Medicine Hospital Co., Ltd.	8,000,000.00	2024/7/18	2029/6/18	No
Qingtian Kangning Hospital Co., Ltd.	5,300,780.00	2024/1/1	2028/12/31	No
Wenzhou Yining Geriatric Hospital Co., Ltd.	4,337,088.00	2024/1/25	2028/12/25	No
Pingyang Changgeng Yining Hospital Co., Ltd.	26,000,000.00	2023/12/20	2031/12/20	No

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.5 Related-party transaction (Continued)

11.5.2 Associated guarantee (Continued)

The Company as the guaranteed:

Guarantor	Guarantee amount	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled
Yueqing Canning Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Yongjia Kangning Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Cangnan Kangning Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Wenzhou Yining Geriatric Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Pingyang Kangning Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Wenzhou Lucheng Yining Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Wenzhou Cining Hospital Co., Ltd.	200,000,000.00	2021/12/24	2026/12/24	No
Cangnan Kangning Hospital Co., Ltd.	66,474,000.00	2021/12/24	2026/12/10	No
Guan Weili, Wang Lianyue	24,000,000.00	2020/6/30	2027/6/30	No
Guan Weili, Wang Hongyue, Wang Lianyue	79,642,127.25	2021/11/29	2028/11/29	No
Guan Weili, Wang Hongyue, Wang Lianyue, Xu Yi	180,950,000.00	2020/10/26	2026/10/25	No
Guan Weili	70,000,000.00	2023/11/8	2026/11/15	No
Guan Weili, Wang Lianyue, Wang Hongyue	14,660,000.00	2019/9/10	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	10,280,000.00	2020/1/1	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	3,320,000.00	2020/12/22	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	2,200,000.00	2020/9/27	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	2,200,000.00	2020/9/27	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	3,050,000.00	2021/3/1	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	3,050,000.00	2021/3/1	2029/8/20	No
Guan Weili, Wang Lianyue, Wang Hongyue	45,000,000.00	2023/7/3	2037/12/31	No
Guan Weili, Wang Lianyue, Wang Hongyue	15,000,000.00	2023/7/31	2037/12/31	No
Guan Weili, Wang Lianyue, Wang Hongyue	10,116,550.00	2023/10/25	2037/12/31	No
Guan Weili, Wang Lianyue, Wang Hongyue	5,007,200.00	2023/11/24	2037/12/31	No
Guan Weili, Zhejiang Tianqu Environmental Construction Co., Ltd., Zhejiang Yangge Property Management Co., Ltd.	60,000,000.00	2023/10/9	2031/10/9	No
Wang Lianyue	18,312,000.00	2023/12/20	2028/12/25	No
Guan Weili, Wang Lianyue	25,000,000.00	2024/12/10	2027/12/10	No
Guan Weili, Wang Lianyue	120,000,000.00	2024/3/27	2027/3/26	No

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.5 Related-party transaction (Continued)

11.5.3 Loans from/to related parties

Related party	Lending/borrowing amount	Start date	Maturity date	Description
Borrowings				
Luonan Shanda Rehabilitation Hospital Co., Ltd.	1,095,000.00	2023/9/29	-	Not yet repaid
Zhejiang Yangge Property Management Co., Ltd.	2,508,250.00	2022/6/13	-	Not yet repaid
Loans to related parties				
Wenzhou Longwan Yining Hospital Co., Ltd.	13,500,000.00	2023/1/10	2026/1/9	
Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	2015/6/1	-	
Wang Changsheng	3,490,447.08	2015/9/1	None	

11.5.4 Remuneration of key officers

Item	Amount in 2025	Amount in 2024
Salaries, bonuses, etc.	10,661,260.51	8,625,385.30
Share-based payment	1,851,645.21	1,863,108.72

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.6 Unsettled items such as receivables and payables of related parties

11.6.1 Receivables

Item name	Related party	Balance as at 31 December 2025		Balance as at 31 December 2024	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Yiwu Mental Health Center	14,059,620.00	9,801,795.00	12,024,620.00	7,548,920.00
	Hangzhou Yining Hospital Co., Ltd.			79,780.30	2,807.80
Other receivables					
	Wenzhou Longwan Yining Hospital Co., Ltd.	15,672,219.18	783,610.96	14,312,219.18	715,610.96
	Chongqing Hechuan Kangning Hospital Co., Ltd.	400,000.00	20,000.00		
	Yiwu Mental Health Center	2,475,380.00	123,781.48	2,475,380.00	123,781.48
	Sichuan Hongji Pharmaceutical Co., Ltd.	10,204,311.69	10,204,311.69	10,204,311.69	10,204,311.69
	Wang Changsheng	3,490,447.08	3,490,447.08	3,490,447.08	3,490,447.08
	Chen Guanghong	100,000.00	1,000.00	100,000.00	1,000.00
	Xu Xiuhu	80,004.00	800.04	80,004.00	800.04
	Cai Wenqin	70,187.50	3,509.38	45,187.50	2,259.38
	Jiang Danping	429,227.50	21,461.38	383,467.50	19,173.38
	Ye Liangfu	30,000.00	900.00	30,000.00	900.00
	Qu Kaisheng	20,917.10	1,045.86		

11.6.2 Payables

Project name	Related party	Book balance	Book balance
		as at 31 December 31 2025	as at 31 December 2024
Accounts payable			
	Zhejiang Fengsheng Nutrition Technology Co., Ltd.	21,376.00	32,895.70
	Ye Liangfu	34,697.95	23,583.50
Other payables			
	Chongqing Hechuan Kangning Hospital Co., Ltd.		3,294,491.66
	Wenzhou Donghu Property Management Co., Ltd.	18,000,000.00	
	Luonan Shanda Rehabilitation Hospital Co., Ltd.	1,095,000.00	1,095,000.00
	Xu Xiuhu	2,508,250.00	2,405,961.75
	Wu Lianxi	2,726,130.87	2,726,130.87
	Wu Zihuang	900,000.00	900,000.00

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.7 Director interests and rights

Remuneration for each director, supervisor, and executive president in 2025 was as follows:

Name	Remuneration	Salary and subsidies	Social insurance plan contributions	Performance bonus	Other allowances and benefits	Equity incentives	Total
Executive directors							
Guan Weili	200,000.00	404,160.00	84,787.98	89,108.80	1,700.00		779,756.78
Wang Lianyue	150,000.00	492,132.00		158,099.94	26,200.00	542,692.81	1,369,124.75
Wang Jian	150,000.00	600,000.00	80,200.80		27,050.00		857,250.80
Independent director							
Jin Ling	70,000.00						70,000.00
Zhong Wentang	70,000.00						70,000.00
Chen Shiqiang	70,000.00						70,000.00
Supervisor							
Xu Ning	196,628.42	269,954.00	70,680.00	23,240.00		134,425.34	694,927.76
Xie Tiefan	79,867.00	95,400.00	48,927.98	4,480.00		56,484.31	285,159.29
Total	986,495.42	1,861,646.00	284,596.76	274,928.74	54,950.00	733,602.46	4,196,219.38

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.7 Director interests and rights (Continued)

The remuneration for each director, supervisor, and executive president in 2024 was as follows:

Name	Remuneration	Salary and allowance	Social insurance plan contribution	Performance bonus	Other allowances and benefits	Equity incentives	Total
Executive directors							
Guan Weili	100,000.00	404,160.00	82,725.65	99,967.00	5,300.00		692,152.65
Wang Lianyue	75,000.00	490,959.00	51.76	179,642.89	40,300.00	504,213.54	1,290,167.19
Wang Jian	75,000.00	730,000.00	77,348.70		59,300.00	366,824.67	1,308,473.37
Independent director							
Jin Ling	70,000.00						70,000.00
Zhong Wentang	70,000.00						70,000.00
Chen Shiqiang	70,000.00						70,000.00
Supervisor							
Xu Ning	219,960.00	71,060.00	148,298.65	80,900.00		118,427.19	638,645.84
Xie Tiefan	91,800.00	47,535.25	85,810.20	5,980.00		49,252.36	280,377.81
Total	771,760.00	1,743,714.25	394,234.96	366,489.89	104,900.00	1,038,717.76	4,419,816.86

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

11 Related parties and related-party transactions (Continued)

11.8 Top five highest remunerated individuals

Among the top five highest remunerated individuals of the Company in 2025, there was 1 director (2024: 2 directors). The remuneration of the other 4 highest remunerated individuals is reflected in the table below:

Item	Amount in 2025	Amount in 2024
Basic salary	1,203,855.32	1,557,020.71
Social insurance plan contribution	332,164.74	253,590.18
Performance bonus	1,722,787.77	509,164.51
Other allowances and benefits	148,401.60	102,767.30
Share-based payment	553,284.45	1,557,020.71
Total	3,960,493.88	2,888,637.96

Remuneration range	2025 headcount	2024 headcount
500,000-1,000,000.00	2	2
Above 1,000,000.00	2	1
Total	4	3

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

12 Share-based payments

According to the H Share Award Trust Scheme approved at the Company's first Extraordinary General Meeting of 2023 held on 27 September 2023, the Company signed a trust deed with the trustee to establish a trust for the H Share Award Trust Scheme. The trustee assists in managing the H Share Award Trust Scheme and purchases the Company's H shares through market transactions under the trust deed and company instructions. These shares are transferred by the Company to the trust for purchase and are held and disposed of by the trustee according to the Company's instructions. The H shares under the H Share Award Trust Scheme shall not exceed 5% of the Company's total share capital as of the date of authorization of the H Share Award Trust Scheme or the date of approval of the updated limit, i.e., 3,730,015 shares.

On 12 April 2024, the Board of Directors resolved to grant a total of 363,100 award shares to the first batch of 35 selected participants at a grant price of RMB0 per share, with the closing price of H shares on the grant date being HKD11.20.

On 23 April 2024, the Board of Directors resolved to grant a total of 555,000 award shares to the second batch of 32 selected participants at a grant price of RMB7 per share, with the closing price of H shares on the grant date being HKD10.80.

On 18 June 2024, the Board of Directors resolved to grant a total of 322,000 award shares to the third batch of 50 selected participants at a grant price of RMB7 per share, with the closing price of H shares on the grant date being HKD11.94.

According to the H Share Award Trust Scheme, the vesting schedule and ratio for the awarded H shares are as follows:

Vesting period	Vesting schedule	Vesting ratio
First vesting period	From the first trading day after the grant date to the last trading day within 12 months from the grant date	25%
Second vesting period	From the first trading day 12 months after the grant date to the last trading day within 24 months from the grant date	25%
Third vesting period	From the first trading day 24 months after the grant date to the last trading day within 36 months from the grant date	25%
Fourth vesting period	From the first trading day after 36 months from the grant date to the last trading day within 48 months from the grant date	25%

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

12 Share-based payments (Continued)

12.1 Equity-settled share-based payments

Determination method of the fair value of equity instruments on the date of grant	Market method
Important parameters of the fair value of equity instruments on the grant date	Closing price on the grant date
Basis for determining the number of exercisable equity instruments	
Reasons for significant differences between the current estimates and the previous estimates	
Accumulated amount of equity-settled share-based payments included in capital surplus	53,358,569.28

12.2 Share-based payment expenses

Grant object	Amount in 2025			Amount in 2024		
	Equity-settled share-based payments	Cash-settled share-based payments	Total	Equity-settled share-based payments	Cash-settled share-based payments	Total
H-share award trust plan	4,503,685.30		4,503,685.30	767,673.68		767,673.68
Total	4,503,685.30		4,503,685.30	767,673.68		767,673.68

13 Commitments and contingencies

13.1 Significant commitments

13.1.1 Capital expenditure commitments

The following are the capital expenditure commitments contracted but not yet recognised on the balance sheet as of the balance sheet date:

Item	31 December 2025	31 December 2024
Houses, buildings, and machinery equipment	25,533,926.00	122,040,000.00
Total	25,533,926.00	122,040,000.00

13.2 Contingencies

The Company has no significant contingencies to disclose.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

14 Post-balance sheet events

14.1 Profit distribution

On 23 March 2026, the 25th meeting of the 4th Board of Directors of the Company reviewed and approved the proposal of the 2025 Profit Distribution Plan, which proposed to distribute cash dividends of RMB3.2 (including tax) for every 10 shares to all shareholders based on the total share capital of 72,358,900 shares before the record date determined by the implementation of the final profit distribution plan in 2025, with a total cash dividend of RMB22,527,712 (including tax). The profit distribution plan at the end of 2025 can be implemented only after being deliberated and approved by the annual general meeting.

15 Other important matters

15.1 Segment information

The Company's various reporting segments provide different products or services, or operate in different regions. Since different technologies or market strategies are required for each segment, the Company's management separately manages the operating activities of each reporting segment and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

In June 2021, the Company transferred the relevant equity of Wenzhou Guoda Investment, so the Company has only one reporting segment.

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company

16.1 Accounts receivable

16.1.1 Accounts receivable by aging

Aging	Balance as at 31 December 2025	Balance as at 31 December 2024
Within 1 year (including 1 year)	42,090,776.46	74,677,055.21
1 to 2 years	4,493,170.46	6,288,695.61
2 to 3 years	2,644,852.66	257,315.13
Sub-total	49,228,799.58	81,223,065.95
Less: provision for bad debts	12,544,534.74	11,526,313.86
Total	36,684,264.84	69,696,752.09

The Company's accounts receivable are analyzed by aging based on the month when the payment actually occurs, and the payment that occurs first is settled in priority when the funds are recovered.

16.1.2 Disclosure under the methods of provision for bad debts by category

Category	Balance as at 31 December 2025				Balance as at 31 December 2024					
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
					Amount					Proportion (%)
Provision for bad debts										
on an individual basis	11,916,666.11	24.21	11,916,666.11	100.00	10,763,194.65	13.25	10,725,880.17	99.65	37,314.48	
Where:										
Patient's medical expenses arrears	11,916,666.11	24.21	11,916,666.11	100.00	10,763,194.65		10,725,880.17		37,314.48	
Provision for bad debts made										
on the basis of portfolio with credit risk characteristics	37,312,133.47	75.79	627,868.63	1.68	36,684,264.84	70.459,871.30	86.75	800,433.69	1.14	69,659,437.61
Including:										
Days past due portfolio	37,312,133.47	75.79	627,868.63	1.68	36,684,264.84	70,459,871.30	86.75	800,433.69	1.14	69,659,437.61
Total	49,228,799.58	100.00	12,544,534.74		36,684,264.84	81,223,065.95	100.00	11,526,313.86		69,696,752.09

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.1 Accounts receivable (Continued)

16.1.2 Disclosure under the methods of provision for bad debts by category (Continued)

Accounts receivable with significant provision for bad debts made on an individual basis:

Name	Balance as at 31 December 2025			Balance as at 31 December 2024	
	Book balance	Provision for bad debts	Proportion of provision (%)	Book balance	Provision for bad debts
Patient's medical expenses arrears	11,916,666.11	11,916,666.11	100.00	10,763,194.65	10,725,880.17
Total	11,916,666.11	11,916,666.11		10,763,194.65	10,725,880.17

Notes to provision for bad debts made on an individual basis: see Note 3.10 for details.

Provision for bad debts made by portfolio based on credit risk characteristics:

Portfolio provision items:

Name	Balance as at 31 December 2025		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Days past due portfolio	37,312,133.47	627,868.63	1.68
Total	37,312,133.47	627,868.63	

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.1 Accounts receivable (Continued)

16.1.3 Provision, reversal or recovery of bad debt provision in 2025

Category	Balance as at		Change in 2025			Balance as at
	31 December 2024	Provision	Recovery or reversal	Write-off or charge-off	Other changes	31 December 2025
Provision for bad debts on an individual basis	10,725,880.17	4,405,824.83		3,215,038.89		11,916,666.11
Provision for bad debts based on credit risk characteristics	800,433.69		172,565.06			627,868.63
Total	11,526,313.86	4,405,824.83	172,565.06	3,215,038.89		12,544,534.74

16.1.4 Accounts receivable actually written off in 2025

Item	Amount written off
Accounts receivable actually written off	3,215,038.89

16.2 Other receivables

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Interest receivable	787,500.00	787,500.00
Dividends receivable	68,400,000.00	43,400,000.00
Other receivables	481,675,800.90	572,688,222.47
Total	550,863,300.90	616,875,722.47

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.2 Other receivables (Continued)

16.2.1 Interest receivable

Item	Balance as at 31 December 2025	Balance as at 31 December 2024
Time deposits	787,500.00	787,500.00
Sub-total	787,500.00	787,500.00
Less: provision for bad debts		
Total	787,500.00	787,500.00

16.2.2 Dividends receivable

Project (or investee)	Balance as at 31 December 2025	Balance as at 31 December 2024
Cangnan Kangning Hospital Co., Ltd.	12,400,000.00	4,400,000.00
Yueqing Canning Hospital Co., Ltd.	7,000,000.00	7,000,000.00
Qingtian Kangning Hospital Co., Ltd.	5,300,000.00	16,000,000.00
Yongjia Kangning Hospital Co., Ltd.	16,000,000.00	16,000,000.00
Qingtian Kangning Property Management Co., Ltd.	10,700,000.00	
Linhai Kangning Hospital Co., Ltd.	17,000,000.00	
Sub-total	68,400,000.00	43,400,000.00
Less: provision for bad debts		
Total	68,400,000.00	43,400,000.00

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.2 Other receivables (Continued)

16.2.3 Other receivables

(1) Disclosure by aging

Aging	Balance as at 31 December 2025	Balance as at 31 December 2024
Within 1 year (including 1 year)	129,893,005.85	532,356,857.00
1 to 2 years	189,701,628.70	32,666,417.15
2 to 3 years	109,787,806.90	8,304,612.39
3 to 4 years	52,311,522.50	496,167.22
4 to 5 years	496,167.22	706,350.52
More than 5 years	702,979.96	
Sub-total	482,893,111.13	574,530,404.28
Less: provision for bad debts	1,217,310.23	1,842,181.81
Total	481,675,800.90	572,688,222.47

(2) Disclosure under the methods of provision for bad debts by category

Category	Balance as at 31 December 2025					Balance as at 31 December 2024				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debts on an individual basis										
Provision for bad debts based on credit risk characteristics	482,893,111.13	100.00	1,217,310.23	0.25	481,675,800.90	574,530,404.28	100.00	1,842,181.81	0.32	572,688,222.47
Including: portfolio by nature and characteristics	54,961,446.39	11.38	1,217,310.23	2.21	53,744,136.16	65,297,554.50	11.37	1,842,181.81	2.82	63,455,372.69
Related party within the scope of consolidation	427,931,664.74	88.62			427,931,664.74	509,232,849.78	88.63			509,232,849.78
Total	482,893,111.13	100.00	1,217,310.23		481,675,800.90	574,530,404.28	100.00	1,842,181.81		572,688,222.47

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.2 Other receivables (Continued)

16.2.3 Other receivables (Continued)

- (2) Disclosure under the methods of provision for bad debts by category (Continued)

Provision for bad debts made by portfolio based on credit risk characteristics:

Portfolio provision items:

Name	Balance as at 31 December 2025		
	Other receivables	Provision for bad debts	Proportion of provision (%)
portfolio by nature and characteristics	54,961,446.39	1,217,310.23	2.21
Related party within the scope of consolidation	427,931,664.74		
Total	482,893,111.13	1,217,310.23	

- (3) Provision for bad debts

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Expected credit losses for the next 12 months	Expected credit loss throughout the duration (no credit impairment has occurred)	Expected credit loss throughout the duration (credit impairment has occurred)	
Balance as at 31 December 2024	1,842,181.81			1,842,181.81
In 2025, Balance as at 31 December 2024				
– Transferred to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision in 2025				
Reversal in 2025	624,871.58			624,871.58
Write-off in 2025				
Write-off in 2025				
Other changes				
Balance as at 31 December 2025	1,217,310.23			1,217,310.23

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.2 Other receivables (Continued)

16.2.3 Other receivables (Continued)

(4) Provision, reversal or recovery of provision for bad debts in 2025

Category	Balance as at		Change in 2025			Balance as at
	31 December	Provision	Recovery or	Write-off or	Other changes	31 December
	2024		reversal	charge-off		2025
portfolio by nature and characteristics	1,842,181.81		624,871.58			1,217,310.23
Total	1,842,181.81		624,871.58			1,217,310.23

(5) Classification by nature of payment

Nature of payment	Book balance as at 31 December 2025	Book balance as at 31 December 2024
Related party funds within the scope of consolidation	427,931,664.74	509,232,849.78
Employee borrowings	34,457,000.00	38,067,000.00
Current accounts	2,216,316.97	1,354,960.78
Deposits and guarantees	1,937,991.24	2,487,401.88
Others	677,919.00	1,075,972.66
Related party funds outside the scope of consolidation	15,672,219.18	22,312,219.18
Total	482,893,111.13	574,530,404.28

16.3 Long-term equity investments

Project	Balance as at 31 December 2025			Balance as at 31 December 2024		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	793,352,571.90		793,352,571.90	771,544,043.35		771,544,043.35
Investment in associates and joint ventures	65,319,529.44		65,319,529.44	63,293,944.52		63,293,944.52
Total	858,672,101.34		858,672,101.34	834,837,987.87		834,837,987.87

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.3 Long-term equity investments (Continued)

16.3.1 Investment in subsidiaries

Investee	Balance	Impairment	Changes in 2025			Balance	Balance of
	(book value)	provision	Additional	Reduced	Provision for	(book value)	provision for
	as at	as at	investment	investment	impairment in	as at	impairment as at
	31 December	31 December			2025	31 December	31 December
	2024	2024				2025	2025
Loudi Kangle Kangning Hospital Co., Ltd.	14,480,000.00			765,000.00		13,715,000.00	
Wenzhou Kangning Judicial Forensic Centre	500,000.00					500,000.00	
Zhejiang Kangning Hospital Management Co., Ltd.	204,839,156.10				77,797.71	204,916,953.81	
Cangnan Kangning Hospital Co., Ltd.	52,734,559.81				55,969.91	52,790,529.72	
Yueqing Kangning Hospital Co., Ltd.	2,158,750.75				38,748.40	2,197,499.15	
Yongjia Kangning Hospital Co., Ltd.	27,726,747.90				60,275.28	27,787,023.18	
Qingtian Kangning Hospital Co., Ltd.	32,856,644.25			27,640,000.00		5,216,644.25	
Linhai Kangning Hospital Co., Ltd.	4,816,159.56				17,429.93	4,833,589.49	
Wenzhou Lucheng Yining Hospital Co., Ltd.	51,000,000.00		9,000,000.00			60,000,000.00	
Pingyang Changgeng Yining Hospital Co., Ltd.	154,781,669.47			154,781,669.47			
Jinyun Shuning Hospital Co., Ltd.	29,051,800.00					29,051,800.00	
Dongkou Lening Hospital Co., Ltd.	14,510,000.00					14,510,000.00	
Wenzhou Kangning Psychological Consulting Co., Ltd.	500,000.00					500,000.00	
Jiaxing Jiulikang Zizheng Equity Investment Partnership (Limited Partnership)	6,660,000.00		12,340,000.00			19,000,000.00	
Zhejiang Yining Elderly Hospital Management Co., Ltd.	174,928,555.51		155,317,200.00		447,776.79	330,693,532.30	
Qingtian Kangning Property Management Co., Ltd.			27,640,000.00			27,640,000.00	
Total	771,544,043.35		204,297,200.00	183,186,669.47	697,998.02	793,352,571.90	

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.3 Long-term equity investments (Continued)

16.3.2 Investment in associates and joint ventures

Investee	Balance (book value) as at 31 December 2024	Balance of provision for impairment as at 31 December 2024	Changes in 2025				Declaration and distribution of cash dividends or profits	Provision for impairment Others	Balance (Book value) as at 31 December 2025	Balance of provision for impairment as at 31 December 2025
			Additional investment	Reduced investment	Investment income recognised under the equity method	Adjustment to other comprehensive income				
Associates										
Hangzhou Ancare Medical Technology Co., Ltd.	6,869,165.91				2,447,498.74				9,316,664.65	
Wenzhou Longwan Yining Hospital Co., Ltd.	56,424,778.61				-421,913.82				56,002,864.79	
Total	63,293,944.52				2,025,584.92				65,319,529.44	

16.4 Operating revenue and cost of sales

16.4.1 Operating revenue and cost of sales

Item	Amount in 2025		Amount in 2024	
	Income	Cost	Income	Cost
Main business	362,203,550.70	261,584,571.97	376,394,574.38	265,148,203.02
Other business	16,836,841.11	82,720.70	5,808,717.10	86,681.23
Total	379,040,391.81	261,667,292.67	382,203,291.48	265,234,884.25

16.4.2 Breakdown of operating revenue and cost of sales

Category	Operating revenue	Cost of sales
Classified by transfer time of goods:		
Recognised at a certain time point	379,040,391.81	261,667,292.67
Recognised within a certain period		
Total	379,040,391.81	261,667,292.67

Notes to the Financial Statements

For the Year Ended 31 December 2025

(Amounts are expressed in RMB unless otherwise stated)

16 Notes to main items of the financial statements of the company (Continued)

16.4 Operating revenue and cost of sales (Continued)

16.4.3 Description of performance obligations

Item	Time to fulfill the performance obligation	Important payment terms	Nature of goods promised to be transferred by the Company	Whether to be the principal responsible person	Amounts expected to be returned to customers that the Company has assumed	Type of quality assurance provided by the Company and related obligations
Diagnosis, medical services and other services	Time point of service provision	Bill settlement	Diagnosis, medical services and other services	Yes	None	None

16.5 Investment income

Item	Amount in 2025	Amount in 2024
Income from long-term equity investments calculated under cost method	25,000,000.00	47,438,461.27
Income from long-term equity investments calculated under the equity method	2,025,584.92	1,695,251.38
Total	27,025,584.92	49,133,712.65

Wenzhou Kangning Hospital Co., Ltd.
(With official seal)
23 March 2026

Definitions

“AGM”	the annual general meeting of the Company for the year 2025 to be convened at an appropriate time
“Articles”	the articles of association of the Company, as amended, modified or supplemented from time to time
“Audit Committee”	the audit committee of the Board
“Beijing Yining Hospital”	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), a company established in the PRC with limited liability on August 17, 2015, one of the Company’s indirect non-wholly-owned subsidiaries
“Board of Directors” or “Board”	the board of directors of the Company
“Cangnan Kangning Hospital”	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company’s wholly-owned subsidiaries
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules
“Changchun Kanglin Psychological Hospital”	Changchun Kanglin Psychological Hospital Co., Ltd. (長春康林心理醫院有限公司), a company established in the PRC with limited liability on February 16, 2016, one of the Company’s indirect non-wholly-owned subsidiaries
“Chengdu Yining Hospital”	Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (formerly known as Chengdu Yining Hospital Co., Ltd.), a limited liability company established in China on June 29, 2010, is one of the indirectly held non-wholly-owned subsidiaries of our company
“Chun’an Kangning Hospital”	Chun’an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, one of the Company’s indirect non-wholly-owned subsidiaries
“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
“Controlling Shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules and in this annual report, refers to Mr. GUAN Weili and Ms. WANG Lianyue

Definitions

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
“Dongkou Lening Hospital”	Dongkou Lening Hospital Co., Ltd., a limited liability company established in China on June 5, 2018, is one of the directly held non-wholly-owned subsidiaries of our company.
“Geriatric Hospital”	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the wholly-owned subsidiaries indirectly held by the Company, whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment
“Group” or “we” or “our”	the Company and its subsidiaries
“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly-owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly-owned subsidiaries
“HK\$” or “HKD”	the lawful currency of Hong Kong

Definitions

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Share(s)”	Non-tradable and non-listed Domestic Shares granted under the Equity Incentive Scheme for subscription by the Participants through the employees’ shareholding platform. According to the provisions under the Equity Incentive Scheme regarding Incentive Shares held by the Participants through the employees’ shareholding platform, those Incentive Shares shall include the additional Shares in the event of conversion of capital reserve into share capital, bonus issues, share sub-division, etc. by the Company, whether or not the Incentive Shares are already unlocked
“Huainan Kangning Hospital”	Huainan Kangning Hospital Co., Ltd. (淮南康寧醫院有限公司), a company established in the PRC with limited liability on September 22, 2017, one of the Company’s indirect non-wholly-owned subsidiaries
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly-owned subsidiaries
“Latest Practicable Date”	April 22, 2025, being the latest practicable date for inclusion of certain information in this annual report prior to its publication
“Longquan Kangning Hospital Co., Ltd.”	Longquan Kangning Hospital Co., Ltd., a limited liability company established in China on February 6, 2023, is one of the indirectly held wholly-owned subsidiaries of our company.
“Loudi Kangning Hospital”	Loudi City Kangle Kangning Hospital Co., Ltd. (婁底市康樂康寧醫院有限責任公司), a company established in the PRC with limited liability on August 28, 2017, one of the Company’s direct non-wholly-owned subsidiaries
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company’s direct non-wholly-owned subsidiaries

Definitions

“Linhai Cining Hospital”	Linhai Cining Hospital Co., Ltd. (臨海慈寧醫院有限公司), a company established in the PRC with limited liability on December 11, 2020, one of the Company’s indirect wholly-owned subsidiaries
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-competition Agreement”	the non-competition agreement dated May 11, 2015 entered into by the Company and the Controlling Shareholders
“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd., a limited liability company established in China on January 14, 2021, is one of the wholly-owned subsidiaries of our company.
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly-owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this annual report, excludes Hong Kong, Macau and Taiwan
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People’s Congress of the PRC on December 29, 2023 and effective on July 1, 2024 (as amended, supplemented or otherwise modified from time to time)
“Proposed Final Dividend”	the proposed final dividend distribution plan of RMB3.2 per ten Shares (inclusive of applicable tax) for the year ended December 31, 2025 subject to the approval by the Shareholders at the AGM as described under the section headed “Proposed Final Dividend” of this annual report
“Prospectus”	the prospectus of the Company dated November 10, 2015

Definitions

“Qingtian Kangning Hospital”	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company’s wholly-owned subsidiaries
“Quzhou Yining Hospital”	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company’s indirect non-wholly-owned subsidiaries
“The Reporting Period” or “Reporting Period”	the year ended December 31, 2025
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Yining Hospital”	Shenzhen Yining Hospital (深圳怡寧醫院, previously known as Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)), a company established in the PRC with limited liability on September 22, 2014, one of the Company’s indirect non-wholly-owned subsidiaries
“Strategy and Risk Management Committee”	the strategy and risk management committee of the Board
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Supervisor(s)”	the members of the Supervisory Committee
“Supervisory Committee”	the Company’s Supervisory Committee established pursuant to the PRC Company Law

Definitions

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

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