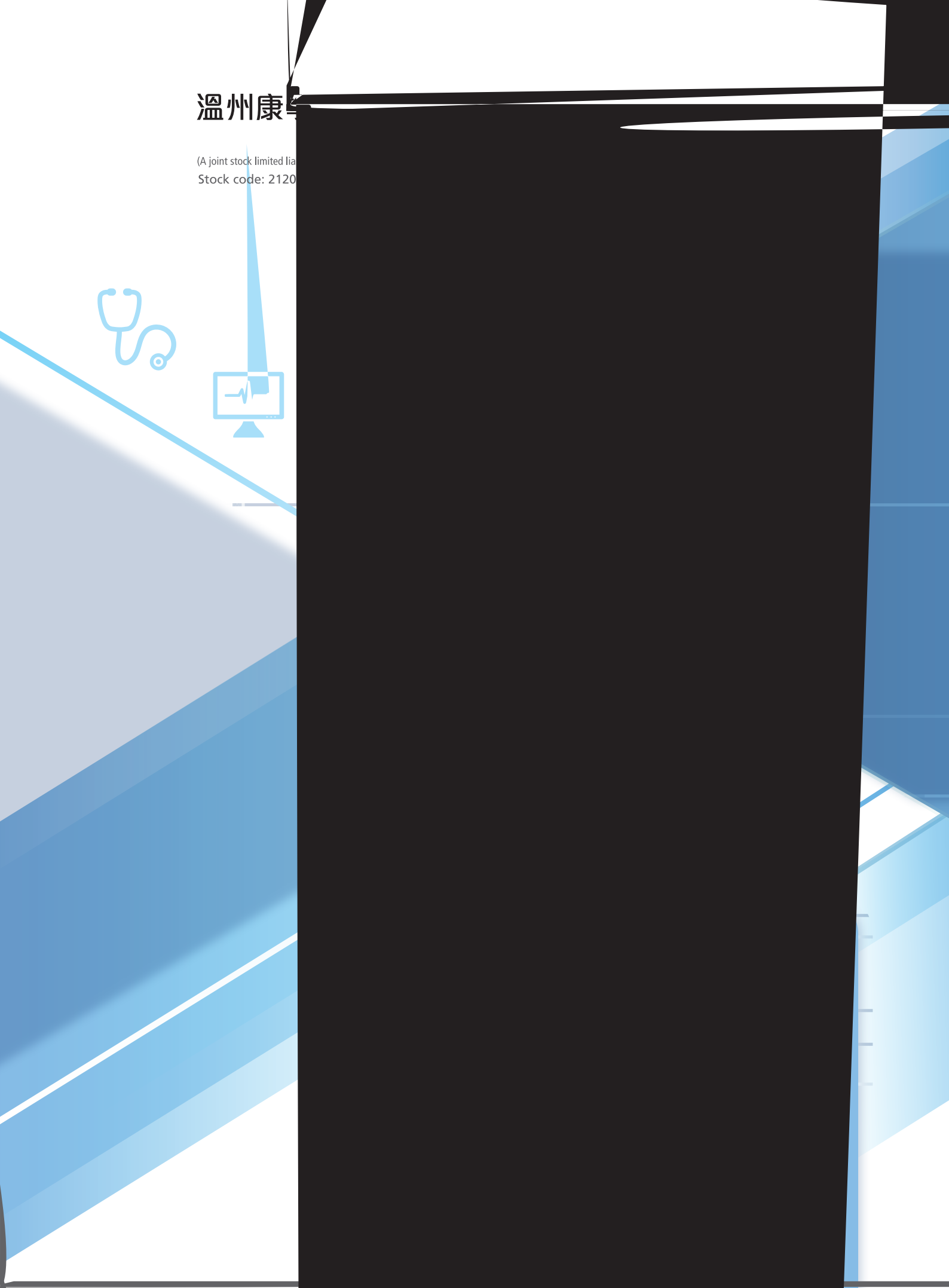
溫州康

(A joint stock limited lia

Stock code: 2120



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Board of Directors

Executive Directors

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

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Mr. LIU Ning

Audit Committee

Ms. ZHONG Wentang *(Chairman)*
Mr. LIU Ning
Mr. LI Changhao

Nomination Committee

Mr. LIU Ning *(Chairman)*
Mr. GUAN Weili

Remuneration Committee

Ms. ZHONG Wentang
Mr. LIU Ning

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. XIE Tiefan
Mr. QIAN Chengliang

Joint Company Secretaries

Mr. WANG Jian
Mr. WONG Wai Chiu

Authorized Representatives

Mr. GUAN Weili
Mr. WONG Wai Chiu

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP

Legal Advisor as to Hong Kong Laws

Clifford Chance

Registered Office and Head Office in the PRC

Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
PRC

Corporate Information

Principal Place of Business in Hong Kong

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248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

2120

Company's Website

www. knhosp.cn

Investor Relations

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Financial Highlights

Principal Financial Data and Indicators

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000	RMB'000
Revenue	1,484,903	1,297,430	989,012	860,692	745,972
Profit before income tax	15,605	95,691	83,509	55,523	106,910
Income tax expenses	26,574	54,831	30,662	-17,295	-31,941
Net profit	-10,969	40,860	52,847	38,228	74,969
Net profit attributable to Shareholders of the Company	-24,221	44,036	64,961	57,289	80,596
Non-controlling interests	13,252	-3,176	-12,114	-19,061	-5,627

	As of December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000	RMB'000
Total assets	2,637,787	2,377,955	2,161,262	2,117,352	1,840,724
Total liabilities	1,311,885	1,097,676	946,349	855,843	635,451
Total equity	1,325,903	1,280,279	1,214,913	1,261,509	1,205,273
Equity attributable to Shareholders of the Company	1,201,585	1,208,264	1,122,248	1,164,484	1,120,995
Non-controlling interests	124,318	72,015	92,665	97,025	84,278

Note: During the Reporting Period, the Group had certain items that require retrospective correction due to the accounting errors in prior periods, and the financial data of the previous financial year (the financial year ended December 31, 2021) has been restated accordingly. For more details, please refer to "Notes to the Financial Statements – Other significant events" of this report.

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 to the annual report of the Group for the year ended December 31, 2022 (the "FY2022").

In 2022, factors such as the complicated external environment, the intertwined risks of the COVID-19 pandemic (the "pandemic") and the adjustment of medical insurance payment policies have brought unprecedented challenges to the Group's operations, however, the business of the Group as a whole still developed steadily and rapidly. In the past year, the Group firmly grasped the new situation of health reform and development in the new era, unremittingly carried out preventive and control measures against the pandemic, focused on the theme of high-quality development with medical quality and safety as the core, built a solid foundation for discipline establishment, and comprehensively promoted the sustainable and healthy development of various lines of businesses.

Since the promulgation of the Outline Plan for "Healthy China 2030" the psychological and mental health of the people has been increasingly elevated to an important strategic position in the country. Relevant policies have been gradually refined from macro guidelines to establishing platforms and institutions, application of technology and related areas. In particular, the Notice on the Publication and Issuance of the 14th Five-year National Health Plan promulgated by the State Council in May 2022 explicitly proposed to encourage and guide social forces to deepen their efforts in areas with weak medical resources and shortages such as rehabilitation, nursing and mental health. In addition, the Strategic Outline Plan for Expanding Domestic Demand (2022-2035) published and issued in October 2022 by the Central Committee of the Communist Party of China and the State Council has set out new requirements for establishing the medical and health service system that will explicitly continue "to support the provision of multi-level and diversified medical services by social forces", injecting a "heart booster" into the Group's new journey of building a medical group comprehensively with high-quality development in the post-pandemic era!

During the past year, the Group continued to uphold the spirit of the medical profession to "respect and safeguard life, save and help dying and injured people". In addition to completing internal preventive measures against the pandemic, the Group assumed social responsibilities actively, responded to calls from the government at all levels for the prevention and control of the pandemic, and fully supported the frontline fighters. During the Reporting Period, the Group dispatched a total of 1,107 teams of medical staff with a total of 12,172 person-times to collect samples from more than 3.266 million people. In addition, with adjustment to the national pandemic prevention policy (especially after optimizing the special prevention and control policy), we have made every effort to cooperate with diversified measures implemented by the government to provide convenient, fast and efficient medical consultation and drug purchase services for COVID-19 patients. Moreover, the Group also carried out scientific anti-pandemic activities by offering free medical consultation online through the self-built internet hospital platform, and cooperated with the local government to distribute free antipyretic drugs that reduce fever and COVID-19 medicine in tight supply to COVID-19 patients, in order to relieve the COVID-19 patients from the pressure of purchasing medicine, which were highly recognized and praised by the government departments and the general public.

In 2022, the Group recorded revenue of RMB1,484.9 million, representing an increase of 14.4% as compared to 2021, of which revenue from self-owned hospital operation was RMB1,366.8 million, representing an increase of 13.6% as compared to 2021. Last year, the Group further expanded the Group's market coverage in the mental health segment and the elderly care segment in Zhejiang Province. The number of medical institutions in the Group increased from 27 at the end of 2021 to 29 at the end of 2022 (including an independently established internet hospital). The number of beds in operation increased from 8,728 at the end of 2021 to 9,688 at the end of 2022. While continuously expanding the market, the Group also actively extended the industrial chain network, including upgrading the internet hospital platform, strengthening the building of a pharmaceutical supply chain, researching and developing diversified additional products, and improving the Group's cost management system.

In 2022, the Group engaged a third-party professional institution to conduct diagnosis and follow-up review on the operation and effectiveness of the internal control system, and further improved the internal control management system of the Group based on the corresponding evaluation results and recommendations. The efficiency and effectiveness of establishing the internal control system have been improved through various measures, multi-dimensional and full-process standardized management and control of management activities have been implemented on the basis of responsibility management and using process management as the means, which enhanced our internal management level and risk prevention capabilities continuously.

The wise person is free from doubts, the benevolent person is free from worries and the brave person is free from fear. Looking forward to the future, the Group will unite all staff to make concerted efforts and keep pace with the times in development and innovation so as to constantly improve its position, striving to create new miracles, present new ambience, and create a great new "Kangning" business with great new endeavours!

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to the shareholders and community members from all sectors for their continuous strong support, attention and care.

GUAN Weili
Chairman

Zhejiang, the PRC
April 28, 2023

Management Discussion and Analysis

Business Review and Outlook

Psychiatric Specialized Medical Service Industry in China

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

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

On October 25, 2016, the Central Committee of the Chinese Communist Party and the State Council issued the "Healthy China 2030 Planning Outline", which proposes to strengthen the construction and standardized management of mental health service system, increase the publicity of mental health awareness, improve mental health literacy, strengthen the intervention in common mental disorders such as depression and anxiety and psychological and behavioral problems,

Management Discussion and Analysis

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

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

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

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

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

Management Discussion and Analysis

Business Review

In 2022, in the face of challenges arising from a general slowdown in China's economic growth and enhanced epidemic prevention and control measures, the Group seized the important opportunity of "Healthy China Initiative". While unswervingly grasping the prevention and control of the pandemic, with high-quality development as the theme, medical safety as the core, and laying a solid academic foundation, the Group achieved healthy and sustainable business development by continuously improving the refined management model and strengthening the internal control management system, and made the following progress:

The Group's owned hospital business maintained a relatively strong growth resilience in 2022. During the Reporting Period, the Group's mature hospitals such as Wenzhou Kangning Hospital, Cangnan Kangning Hospital, Qingtian Kangning Hospital, Yongjia Kangning Hospital and Yueqing Kangning Hospital showed a steady growth trend. In particular, Cangnan Kangning Hospital, Qingtian Kangning Hospital and Yongjia Kangning Hospital, whose development space was limited by the site, have been successfully relocated to new sites, thus the business volume was further increased. In the past year, the medical business of some of the Group's owned hospitals in the formative years developed steadily, among which the scale of medical business of Pujiang Yining Hospital, Chun'an Kangning Hospital, Nanjing Yining Hospital, Hangzhou Cining Hospital and Changchun Kanglin Psychological Hospital grew significantly compared with the same period last year, while the performance of the four hospitals in Taizhou region, where the Group implemented regionalized operation and management, continued to grow well. However, some of our owned hospitals in the growth period were affected by the pandemic and medical insurance policies. The performance of Shenzhen Yining Hospital, Huainan Kangning Hospital, Heze Yining Hospital, Guanxian Yining Hospital and Wenzhou Cining Hospital were under phase pressure and the development was slow, but there was no material change in the core growth drivers. In addition, the Group adjusted the operation and management mode of Beijing Yining Hospital and Hangzhou Yining Hospital by introducing advanced management teams, and the performance of these hospitals improved during the Reporting Period compared with the same period last year. As of December 31, 2022, the number of the Group's owned hospitals increased to 29 (December 31, 2021: 27), including one independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds increased to 9,688 (December 31, 2021: 8,728).

In 2022, the Group seized opportunities arising from increasing demand for elderly health services resulting from the aging population. The Group devoted considerable efforts in the field of psychiatric specialty healthcare, while continued to expedite the Company's presence in the elderly healthcare sector, with a view to ushering in quality development of the Group that was driven by the dual segments of "Psychiatric Health" and "Elderly Healthcare". During the Reporting Period, the Group acquired 100% equity interest in Yueqing Yining Hospital and the controlling interest of Jinyun Shuning Hospital, the Wenzhou Ouhai Yining Elderly Hospital, our new hospital, officially commenced operation, further expanding the Group's market coverage in the segment of the elderly healthcare.

Management Discussion and Analysis

Over the past year, the Group fully leveraged on its medical professionalism of "respecting lives, saving lives and curing illnesses", giving full play to the advantages of specialists on top of making every effort in internal pandemic prevention, while taking the initiatives to assume social responsibilities and responding to the calls of governments at all levels for pandemic prevention and control in a bid to fully support the frontline of the fight against the pandemic. In 2022, the Group dispatched 1,107 batches of medical personnel, totaling 12,172 people, with the number of nucleic acid samples collected exceeding 3.266 million. In addition, with the optimization and adjustment of national pandemic prevention policies in place, the Group carried out scientific anti-pandemic free clinic activities online by tapping into its self-built internet hospital platform, and the Group, in conjunction with the government, provided antipyretic medicine and COVID-19 drugs in short supply to patients diagnosed with COVID-19 for free, to ease the stress of patients making their purchase on COVID-19 drugs, which was highly recognized and well received by government departments and the general public.

In 2022, the Group promoted the construction of compliance management in a practical manner, engaging a third-party professional institution to conduct a comprehensive review and diagnosis of the internal control system, and further ramping up the internal control management system of the Group based on the results of the corresponding assessment recommendations to ensure that the Group's operation and management were legal and compliant, asset safety, financial regulations and relevant information were true, complete and accurate, which further improved the overall operation and management level and risk prevention capabilities of the Group.

Business Highlights

In 2022, the Group's I.T. research and development capability reached a new level and the hospital digitalization business has been gaining ground. On one hand, the Group continued to extend its digital construction, and Jerinte Health passed the certification for the status as "Hangzhou Enterprise New and High-tech R&D Center" in 2022. As of December 31, 2022, it had obtained a total of 42 software copyrights and 3 invention patents. On the other hand, the Group focused on the in-depth development of the psychiatric-mental specialty, and the Yining Psychology Internet Hospital actively explored the "endogenous + exogenous" model innovation, which contributed to significant progress in, among others, product development, user operation effectiveness and new project introduction.

In 2022, the Group actively promoted the commercialization of scientific and technological achievements, comprehensively promoted the construction of the Zhejiang Provincial Clinical Research Center for Psychiatric and Mental Diseases and the Zhejiang Provincial Branch of the National Clinical Research Center for Mental Disorder, and for the first-time initiated projects of the National Natural Science Foundation of China. The Group continued to promote platforms such as the International Science and Technology Cooperation Base for Digital Psychiatry and Alzheimer's Disease Diagnosis and Treatment in Zhejiang Province and research and development of artificial intelligence projects for overseas academician workstations. At the same time, the Group organized and completed the filings for major projects such as NSSI (Non-Suicidal Self-Injury in Adolescents), the Leading Goose Program (Digital ADHD Diagnosis and Treatment), the Leading Team, and the Kunpeng Program in Zhejiang Province, manifesting fruitful results of scientific research projects.

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 2020 to 2022, reimbursement amount from public medical insurance accounted for 61.4%, 68.6% and 69.3% of the cash received from sales of goods and rendering of service for the respective years. If the Group's healthcare facilities are unable to maintain the qualification of designated medical insurance institutions in the future, or there are adverse changes on the national public medical insurance policy in respect of treatment of mental illness, 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.

Looking ahead, the year 2023 is a key year for advancing the execution of the "National Health Planning for the 14th Five-Year Period". The report of the CPC's 20th National Congress has put forward new requirements and pointed new directions for the development of China's medical and health care initiative for the next five years, clearly proposing to accelerate the construction of a healthy China and to put the Chinese people's health in a strategic spot of priority, which is firstly, to improve the quality of mental health care services; and secondly, to improve the health conditions of the Chinese people for the whole life cycle and encourage the integration of medical and health care services for the elderly as well as the development of China's health care industry. In light of the above, the health care business is embracing critical development opportunities. By now, the last wave of COVID-19 recurrence has basically ended, therefore, we should take full advantage of the window of macro policy support to steadily promote the sustainable and healthy development of the Group under the guidance of the principle known as "keeping righteousness and innovation while seeking progress on top of stability (守正創新，穩中求進)", and strive to start a new chapter of high-quality development for the Group.

Management Discussion and Analysis

Financial Review

The Group recorded revenue of RMB1,484.9 million during the Reporting Period, representing an increase of 14.4% as compared with 2021. Among them, the revenue from operating its owned hospitals amounted to RMB1,366.8 million, representing an increase of 13.6% as compared with 2021. During the Reporting Period, the gross profit margin of its owned hospitals was 23.9% (2021: 25.4%). The overall gross profit of the Group increased to RMB352.9 million, representing an increase of 7.3% as compared with 2021. During the Reporting Period, net profit attributable to Shareholders of the Company was RMB-24.2 million, which was mainly due to the items that had one-off effects on the results for the year 2022. The net profit attributable to Shareholders of the Company excluding these items amounted to RMB41.1 million. During the Reporting Period, the net cash generated from operating activities of the Group amounted to RMB227.2 million (2021: RMB193.9 million), representing an increase of 17.2% as compared with 2021.

Revenue and Cost of Revenue

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

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Revenue from operating owned hospitals	1,366,817	1,202,774
Revenue from other healthcare related business	110,018	71,097
Other revenue not related to healthcare business	8,068	23,559
Total revenue	1,484,903	1,297,430

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees ("**Billing Revenue**") charged for outpatient visits and inpatient services at the Group's various hospitals, which can be divided into treatment and general healthcare services and pharmaceutical sales, as well as variable considerations for medical services provided by the Group, including medical insurance settlement differences and loss of income from special medical services. The net amount after deducting the variable considerations is recorded as operating revenue of the Group.

Management Discussion and Analysis

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Billing Revenue from owned hospitals	1,425,005	1,229,996
Less: medical insurance settlement differences	43,545	-18
loss of income from special medical services[(1)]	14,643	27,240
Revenue from operating owned hospitals – net	1,366,817	1,202,774

Note:

(1) Loss of income from special medical services refers to the estimated unrecoverable charges for offering medical services by the Group to extremely deprived community members, low-end patients who are impoverished due to illness and other persons with special difficulties stipulated by the people's government at or above the county level (the "Patients in Need") pursuant to relevant policies.

For the Reporting Period, the Group's Billing Revenue from its owned hospitals amounted to RMB1,425.0 million, 15.9% higher than 2021, which was mainly due to an increase in treatment and general healthcare services revenue driven by a higher outpatient visits and inpatient visits. During the Reporting Period, medical insurance settlement differences amounted to RMB43.5 million, which was mainly due to adjustments to the policy regarding medical insurance expenses in Wenzhou in 2021. The Group did not expect that such adjustments would have an effect on the items for 2023. During the Reporting Period, loss of income from special medical services amounted to RMB14.6 million, RMB12.6 million lower than 2021, mainly due to the increased reimbursement ratio of medical expenses on cross-regional patients for some local medical insurance authorities.

Management Discussion and Analysis

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Treatment and general healthcare services		
Billing Revenue	1,119,887	962,408
Cost of revenue	770,287	658,194
Gross profit	349,600	304,214
Pharmaceutical sales		
Billing Revenue	305,118	267,588
Cost of revenue	269,828	238,918
Gross profit	35,290	28,670
Billing Revenue from owned hospitals	1,425,005	1,229,996
Cost of revenue	1,040,115	897,112
Gross profit	384,890	332,884

During the Reporting Period, Billing Revenue from the Group's owned hospitals amounted to RMB1,425.0 million, representing an increase of RMB195.0 million as compared with 2021, mainly due to the increase in Billing Revenue from Qingtian Kangning Hospital, Yongjia Kangning Hospital, Yueqing Kangning Hospital, Taizhou Kangning Hospital, Wenzhou Cining Hospital and Pingyang Changgeng Yining Hospital and the mergers and acquisitions of Yueqing Yining Hospital and Jinyun Shuning Hospital, as compared with that of the same period of last year. During the Reporting Period, the gross profit of the Group's owned hospitals on Billing Revenue basis increased by 15.6% as compared with 2021, mainly due to the increase in inpatient bed-days and average inpatient spending per bed-day.

Management Discussion and Analysis

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

	For the year ended December 31,	
	2022	2021
Inpatients		
Inpatient bed as at period end	9,688	8,728
Effective inpatient service bed-day capacity	3,536,120	3,185,720
Utilization rate *(%)*	88.7	87.1
Number of inpatient bed-days	3,134,950	2,773,964
Treatment and general healthcare services revenue attributable to inpatients *(RMB'000)*	1,061,798	908,337
Average inpatient spending per bed-day on treatment and general healthcare services *(RMB)*	339	327
Pharmaceutical sales revenue attributable to inpatients *(RMB'000)*	156,512	145,349
Average inpatient spending per bed-day on pharmaceutical sales *(RMB)*	50	52
Total inpatient revenue *(RMB'000)*	1,218,310	1,053,686
Total average inpatient spending per bed-day *(RMB)*	389	380
Outpatients		
Number of outpatient visits	527,050	402,666
Treatment and general healthcare services revenue attributable to outpatients *(RMB'000)*	58,089	54,071
Average outpatient spending per visit on treatment and general healthcare services *(RMB)*	110	134
Pharmaceutical sales revenue attributable to outpatients *(RMB'000)*	148,606	122,239
Average outpatient spending per visit on pharmaceutical sales *(RMB)*	282	304
Total outpatient revenue *(RMB'000)*	206,695	176,310
Total average outpatient spending per visit *(RMB)*	392	438
Total treatment and general healthcare services revenue *(RMB'000)*	1,119,887	962,408
Total pharmaceutical sales revenue *(RMB'000)*	305,118	267,588

Management Discussion and Analysis

During the Reporting Period, inpatient Billing Revenue amounted to RMB1,218.3 million, representing an increase of 15.6% as compared with that of 2021, primarily due to: (i) the number of the Group's inpatient bed-days increased by 13.0%, which was driven by the increase in the inpatient bed-days of Qingtian Kangning Hospital, Yongjia Kangning Hospital, Taizhou Kangning Hospital, Wenling Nanfang Hospital, Wenzhou Cining Hospital, Pingyang Changgeng Yining Hospital, Yueqing Yining Hospital and Jinyun Shuning Hospital; and (ii) the average inpatient spending per bed-day of the Group's owned hospitals increased by 2.4%. The proportion of inpatient Billing Revenue to Billing Revenue from owned hospitals was 85.5% (2021: 85.7%).

During the Reporting Period, outpatient Billing Revenue amounted to RMB206.7 million, representing an increase of 17.2% as compared with 2021, primarily due to the increase of outpatient visits by 30.9% and the decrease in average outpatient spending per visit by 10.5%. The proportion of outpatient Billing Revenue to Billing Revenue from owned hospitals was 14.5% (2021: 14.3%).

During the Reporting Period, due to the increase of both inpatient and outpatient business, Billing Revenue from treatment and general healthcare services increased by 16.4% as compared with 2021, and increased to 78.6% (2021: 78.2%) of Billing Revenue from owned hospitals; Billing Revenue from pharmaceutical sales increased by 14.0% as compared with 2021, accounting for 21.4% (2021: 21.8%) of Billing Revenue from owned hospitals, of which: the ratio of inpatient pharmaceutical sales to total inpatient Billing Revenue decreased to 12.8% (2021: 13.8%), the ratio of outpatient pharmaceutical sales to total outpatient Billing Revenue increased to 71.9% (2021: 69.3%).

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Pharmaceuticals and consumables used	339,777	310,090
Employee benefits and expenses	390,107	321,207
Depreciation of right-of-use assets	33,584	42,283
Depreciation and amortization	99,553	75,386
Canteen expenses	63,747	53,470
Testing fees	27,588	25,595
Others	85,759	69,081
Cost of revenue of owned hospitals	1,040,115	897,112

Management Discussion and Analysis

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB1,040.1 million, representing an increase of 15.9% as compared with 2021. It was mainly due to: (i) the increase of 9.6% in pharmaceuticals and consumables expenses relating to the increase of pharmaceutical sales; (ii) the increase of 21.5% in employee benefits and expenses arising from the increase in beds in operation of owned hospitals; and (iii) depreciation of right-of-use assets increased by 32.1% as compared with that of 2021.

From the cost portfolio structure perspective, the proportion of pharmaceuticals and consumables used in the cost of revenue of owned hospitals slightly decreased to 32.7% (2021: 34.6%). The proportion of employee benefits and expenses to cost of revenue of owned hospitals increased to 37.5% (2021: 35.8%). The proportion of the depreciation of right-of-use assets together with depreciation and amortization to cost of revenue of owned hospitals slightly decreased to 12.8% (2021: 13.1%).

Revenue from other healthcare related business

The revenue from other healthcare related business of the Group primarily includes revenue from sales of medical devices, revenue from pharmaceutical sales outside the hospitals, revenue from social mental service and revenue from healthcare information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB110.0 million, of which revenue from sales of pharmaceuticals and medical devices outside the hospitals was RMB85.5 million (2021: RMB51.6 million).

Other revenue not related to healthcare business

The Group's other revenue not related to healthcare business includes property leasing income, property sales income, etc. During the Reporting Period, revenue from the property business was RMB8.1 million (2021: RMB23.6 million), mainly due to the rental income from external sublease of certain leased properties by Shenzhen Yining Hospital.

Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB352.9 million, representing an increase of 7.3% as compared with 2021. The gross profit of the owned hospitals businesses on operating income basis amounted to RMB326.7 million, representing an increase of 6.9% as compared with 2021. 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,	
	2022	2021
Treatment and general healthcare services	27.4%	29.6%
Pharmaceutical sales	11.6%	10.7%
Owned hospitals businesses	23.9%	25.4%
Property and other businesses	22.2%	24.7%
Consolidated gross profit margin	23.8%	25.4%

Management Discussion and Analysis

During the Reporting Period, consolidated gross profit margin of the Group decreased to 23.8% (2021: 25.4%), of which the gross profit margin of treatment and general healthcare services decreased by 2.2 percentage points as compared with that of 2021, mainly due to an increase of RMB43.6 million in negative difference of medical insurance settlement compared to the previous year.

Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB5.0 million (2021: RMB5.8 million).

Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB15.0 million (2021: RMB10.3 million). The selling expenses accounted for 1.1% of the revenue from operating owned hospitals of the Group (2021: 0.9%).

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,	
	2022	2021
	(RMB'000)	(RMB'000)
Employee benefits and expenses	111,252	100,510
Depreciation and amortization	24,761	22,117
Consultancy expenses	29,187	13,014
Travelling expenses	4,359	2,835
Others	36,328	37,896
Total administrative expenses	205,887	176,372

During the Reporting Period, the administrative expenses of the Group amounted to RMB205.9 million, representing an increase of 16.7% as compared with that of 2021, which was mainly due to an increase in expenses of RMB13.5 million for the independent investigation matters. The proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 15.1% (2021: 14.7%).

Management Discussion and Analysis

Research and Development Expenses

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Clinical research	18,899	16,487
Development of informatization software	9,803	8,059
Construction of Internet hospital platform	4,053	3,114
Others	273	302
Total	33,028	27,962

During the Reporting Period, the Group's research and development expenses amounted to RMB33.0 million (2021: RMB28.0 million), representing an increase of 18.1% as compared with 2021. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 2.4% (2021: 2.3%), which was mainly due to the continuous increase in investments in the development of information software, social mental service platform and Internet hospital applications by the Group.

Finance Expenses – Net

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Interest income	-2,762	-1,691
Foreign exchange gains/losses	-78	39
Borrowing interest expense	33,214	21,978
Interest expenses on lease liabilities	11,936	14,290
Others	2,000	3,042
Finance expenses – net	44,310	37,658

Management Discussion and Analysis

During the Reporting Period, the net finance expenses of the Group amounted to RMB44.3 million, representing an increase of RMB6.7 million as compared with that of 2021, of which, borrowing interest expense increased by 51.1% as compared with that of 2021, mainly due to the increase in bank loans of the Group. Interest expenses on lease liabilities decreased by RMB2.4 million as compared with that of 2021.

Investment Income

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
		(Restated)
Share of losses of investments accounted for using the equity method	-15,927	-6,566
Gains arising from disposal of long-term equity investment	18,063	7,075
Dividend income from funds	714	6,429
	2,850	6,938

During the Reporting Period, our investment income amounted to RMB2.9 million, mainly due to gains arising from the disposal of equity investment of Hangzhou Yining Hospital. Among the said amount, there was attributable investment loss of RMB-15.9 million accrued under the equity method which primarily included the investment loss from the investment in Hangzhou Yining Hospital and Hangzhou Anken Information Technology Co., Ltd.

Credit Impairment Losses

During the Reporting Period, credit impairment losses amounted to RMB25.2 million (2021: RMB2.1 million), mainly due to the Group's provision for bad debts of borrowings to Hangzhou Yining Hospital of RMB15.9 million.

Asset Impairment Losses

During the Reporting Period, asset impairment losses amounted to RMB10.3 million, which was due to the impairment of goodwill arising from the acquisition of Beijing Yining Hospital by the Group as a result of the pandemic.

Management Discussion and Analysis

Non-Operating Income and Non-Operating Expenses

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Government grants	55	266
Donations received	7,436	9,470
Demolition and reallocation compensation income	–	1,800
Other non-operating income	1,063	300
Non-operating income	8,554	11,836
Losses on scrapping of non-current assets	1,588	166
Donation expenses	3,928	3,333
Expenses for medical disputes	1,754	1,399
Expenses for breach of contract	–	2,000
Other non-operating expenses	2,071	1,739
Non-operating expenses	9,341	8,637

During the Reporting Period, the non-operating income of the Group amounted to RMB8.6 million, representing a decrease of RMB3.3 million as compared with that of 2021, mainly due to the decrease in compensation for relocation. During the Reporting Period, the non-operating expenses of the Group increased to RMB9.3 million, mainly due to the increase in losses on scrapping of non-current assets of RMB1.4 million as compared with that of 2021.

Income Tax Expense

During the Reporting Period, income tax expense decreased to RMB26.6 million (2021: RMB54.8 million), representing a decrease of 51.5% as compared with 2021. In 2022 and 2021, our actual tax rate was 170.3% and 57.3%, respectively.

Management Discussion and Analysis

Financial Position

Inventory

As of December 31, 2022, inventory balances amounted to RMB58.3 million (as of December 31, 2021: RMB56.5 million), mainly including the medical inventory and turnover materials.

Accounts Receivables

As of December 31, 2022, the balance of accounts receivables amounted to RMB382.8 million (December 31, 2021: RMB311.8 million), representing an increase of 22.8% as compared with that of December 31, 2021, mainly due to the increase in operational income of the Group's owned hospital.

During the Reporting Period, accounts receivables turnover days of the Group's owned hospitals businesses were 42 days (2021: 37 days).

Other Receivables and Prepayments

As of December 31, 2022, other receivables and prepayments increased to RMB69.4 million (as of December 31, 2021 (restated): RMB41.8 million).

Other Non-current Financial Assets

As of December 31, 2022, the balance of other non-current financial assets was RMB63.1 million (as of December 31, 2021: RMB65.8 million). During the Reporting Period, the fair value of other non-current financial assets decreased by RMB2.7 million, which was mainly due to the decrease in fair value of the Group's investment in Jinpu Fund.

Construction in progress

As of December 31, 2022, the balance of construction in progress was RMB152.5 million (as of December 31, 2021: the balance of construction in progress was RMB43.8 million), and the new constructions in progress were mainly the new construction project of Lucheng Yining Hospital, the new construction project of Linhai Cining Hospital, the relocation project of Quzhou Yining Hospital and the relocation project of Jinyun Shuning Hospital.

Right-of-use Assets

As of December 31, 2022, right-of-use assets decreased to RMB190.4 million (as of December 31, 2021: RMB257.4 million), mainly due to the decrease in right-of-use assets of RMB54.2 million as a result of the disposal of equity interest of Hangzhou Yining Hospital by the Group during the Reporting Period.

Accounts Payables

As of December 31, 2022, accounts payables increased to RMB85.8 million (as of December 31, 2021: RMB69.2 million).

Management Discussion and Analysis

Receipts in Advance and Contract Liabilities

As of December 31, 2022, receipts in advance and contract liabilities increased to RMB 29.9 million (as of December 31, 2021: RMB16.3 million).

Other Payables

As of December 31, 2022, other payables increased to RMB72.2 million (as of December 31, 2021 (restated): RMB57.3 million), primarily due to the increase of a government prepayment of RMB17.0 million in agent construction payment of Lucheng Yining Hospital.

Liquidity and Capital Resources

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	227,221	193,896
Net cash used in investing activities	-273,615	-239,049
Net cash generated from financing activities	116,178	33,833
Net increase in cash and cash equivalents	69,861	-11,358

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB227.2 million, primarily consisting of net profit of RMB-24.2 million, adjustments of RMB35.5 million for credit impairment losses and asset impairment losses and adjustments of RMB160.6 million for depreciation and amortisation of various assets. Changes in working capital resulted in cash outflow of RMB11.6 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB273.6 million, primarily due to the amount of RMB236.9 million for purchasing property, plant and equipment, including the investments in the infrastructure of Lucheng Yining Hospital, Quzhou Yining Hospital, Linhai Cining Hospital and Jinyun Shuning Hospital, and the renovations of Wenzhou Ouhai Yining Elderly Hospital and Pingyang Changgeng Yining Hospital.

Management Discussion and Analysis

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB116.2 million.

Significant Investment, Acquisition and Disposal

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

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

Indebtedness

Bank Borrowings

As of December 31, 2022, the balance of bank borrowings of the Group amounted to RMB616.5 million (as of December 31, 2021: RMB553.2 million), primarily attributable to repayment of borrowings of RMB339.4 million and an increase in borrowings of RMB402.7 million during the Reporting Period.

Contingent Liability

As of December 31, 2022, the Group had no contingent liability or guarantees that would have a material impact on the financial position or operation of the Group.

Asset Pledge

The Group's Wenzhou Kangning Hospital pledged property ownership certificates, namely Wenfang Quanzheng Lucheng District No. 826751, Wenfang Quanzheng Lucheng District No. 826750, Zhe (2016) Wenzhou Real Estate Rights No. 0010144, Zhe (2016) Wenzhou Real Estate Rights No. 0010142, and Zhe (2021) Wenzhou Real Estate Rights No. 0081628, Wen Guo Yong (2015) No. 1-11836 and Wen Guo Yong (2015) No. 1-11833, to China CITIC Bank Wenzhou Ouhai Sub-branch for obtaining a bank loan. As at December 31, 2022, the balance of such pledged loan was RMB195.0 million.

Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of December 31, 2022, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB25.5 million which is due within one year, were RMB171.4 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

Management Discussion and Analysis

Exposure to Fluctuation in Exchange Rates

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

As of December 31, 2022, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Gearing Ratio

As of December 31, 2022, the Group's gearing ratio (total liabilities divided by total assets) increased to 49.7% (as of December 31, 2021 (restated): 46.2%), mainly due to an increase of bank borrowings.

Employees and Remuneration Policy

As of December 31, 2022, the Group had a total of 4,196 full-time employees (as of December 31, 2021: 3,661 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB529.4 million (2021: RMB443.3 million). The average employees' remuneration is RMB124.3 thousand per year (including social medical insurance scheme and housing grant scheme borne by the Group). The remuneration is determined with reference to the salary level in the same industry and the qualifications, experience and performance of an employee.

Share Incentive Plan

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

Management Discussion and Analysis

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

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 Company Law and the Articles of Association.

(2) Scope of the Participants

(a) Scope of the Participants

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

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

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

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

Management Discussion and Analysis

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

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

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

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

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

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

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

Management Discussion and Analysis

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

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

(b) Locked-up period of the Equity Incentive Scheme
The locked-up period of the Incentive Shares granted to the Participants is 48 months, calculated from the date the Participants are granted the Incentive Shares.

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

(5) Granting procedures of the Equity Incentive Scheme

(i) The general partner of the Partnership and the Participants shall sign the Partnership agreement to stipulate the rights and obligations of both parties.

(ii) The Company will issue the "Demand Note" to the Participants on the Grant Date.

(iii) The Participants will sign the "Demand Note" and return one of the originals to the Company.

(iv) Within the period specified by the Company, the Participants will pay the funds used to subscribe for Incentive Shares (calculated based on the grant price) to the accounts designated by the Company according to the requirements of the Company.

(v) The Company will prepare a management register of the Equity Incentive Scheme according to the entering into of agreements and subscription by the Participants, setting out names of Participants, numbers of Shares granted, grant date, amount of payment and the sequential number of Partnership agreements, etc.

Management Discussion and Analysis

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

(a) 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 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 Incentive Scheme represents approximately 32.22% of the aforementioned trading price of the Company's H Shares, that is RMB10.47 per Share.

Management Discussion and Analysis

For the for the year ended December 31, 2022, the changes in the Incentive Shares granted under the Equity Incentive Scheme are as follows:

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

Management Discussion and Analysis

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

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, 2022.

Principal Activities

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

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

Business Review

The business review on the Group is set out in the "Management Discussion and Analysis" of this annual report. The future development of the Group and the major risks and uncertainties that the Group may be exposed to are set out in "Management Discussion and Analysis – Business Review and 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, 2022 are set out in the "Financial Highlights" of this annual report. The Group's financial results for the year ended December 31, 2022 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.

Report of the Board

Compliance with Relevant Laws and Regulations

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

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Mental Health Law of the PRC (《中華人民共和國精神衛生法》), the Law of the People's Republic of China on the Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》) (has taken effect on June 1, 2020), 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 2022 and as of the Latest Practicable Date.

Permitted Indemnity Provision

For the year ended December 31, 2022, the Group has no permitted indemnity provision.

Use of Proceeds from Initial Public Offering

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

Report of the Board

Dividend

The Board does not recommend the payment of a final dividend to the Shareholders for the year ended December 31, 2022.

Tax Reduction or Exemption

In accordance with the Enterprise Income Tax Law of the People' 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.

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%.

Report of the Board

Share Capital

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

Reserves

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

Distributable Reserves

As of December 31, 2022, the distributable reserves of the Group were RMB233.5 million.

Property, Plant and Equipment

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

Major Customers and Suppliers

For the year ended December 31, 2022, the Group's largest customer and five largest customers aggregately contributed to 1.2% and 3.5%, respectively, of the Group's total revenue. For the year ended December 31, 2022, 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 psychiatric specialty hospitals, our Company has no reliance on large customers.

For the year ended December 31, 2022, the total purchase of the Group's largest supplier and five largest suppliers aggregately accounted for 11.7% and 38.7%, respectively, of the Group's total purchases of pharmaceutical products, medical consumables and construction and renovation services.

None of the Directors, the Supervisors or any of their respective close associates (as defined under the Hong Kong Listing Rules), or any Shareholders, which to the knowledge of the Directors, owning more than 5% of the Company's issued share capital has any interests in the Group's five largest customers or suppliers for the year ended December 31, 2022.

Securities Issuance

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

Report of the Board

Debentures in Issue

For the year ended December 31, 2022, the Group did not issue any debentures.

Equity-linked Agreements

For the year ended December 31, 2022, no equity-linked agreements were entered into by the Group, or existed.

Donations

For the year ended December 31, 2022, the charitable contributions and other donations made by the Group amounted to approximately RMB3.9 million in aggregate.

Subsidiaries

Details of the Company's principal subsidiaries as of December 31, 2022 are set out in "Notes to the Financial Statements – Interests in other entities – Interest in subsidiaries – Structure of the Group" of this annual report.

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
Ms. WANG Hongyue (resigned on September 1, 2022)

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Mr. LIU Ning
Mr. ZHAO Xudong (resigned on March 10, 2023)

Report of the Board

Supervisors

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

Mr. XU Ning *(Chairman)* (appointed on February 19, 2022)
Mr. XU Yongjiu
Mr. XIE Tiefan
Mr. QIAN Chengliang
Mr. SUN Fangjun *(Chairman)* (resigned on February 15, 2022)
Mr. CHEN Jian (resigned on January 17, 2022)

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, 2022, 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, 2022 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 care 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, 2022, the Company did not receive any Offer Notice (as defined under the section headed "Relationship with our Controlling Shareholders" in the Prospectus) from the Controlling Shareholders.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-competition Agreement for the year ended December 31, 2022 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, 2022.

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, 2022 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.

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

As of December 31, 2022, 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:

Report of the Board

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)	22,044,750 (L)	39.89%	29.55%
		Interest of spouse	3,694,500(L)			
Ms. WANG Lianyue[2]	Domestic Shares	Beneficial owner	3,694,500(L)	22,044,750 (L)	39.89%	29.55%
		Interest of spouse	18,350,250(L)			
Mr. XU Yongjiu[4]	Domestic Shares	Interest in a controlled corporation	4,540,000 (L)	4,540,000 (L)	8.22%	6.09%

Notes:

(L): Long position

(1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 19,340,300 H Shares (an aggregate of 74,600,300 Shares) issued by the Company as at December 31, 2022.

(2) Mr. GUAN Weili is the spouse of Ms. WANG Lianyue and therefore, Mr. GUAN Weili is deemed to be interested in the Domestic Shares held by Ms. WANG Lianyue, and Ms. WANG Lianyue is deemed to be interested in the Domestic Shares held by Mr. GUAN Weili by virtue of Part XV of the SFO.

(3) Mr. XU Yongjiu holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金淅企業管理中心(有限合夥)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金淅企業管理中心(有限合夥)) 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.

Save as disclosed above, as at December 31, 2022, 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.

Report of the Board

Interests of Substantial Shareholders

As at December 31, 2022, 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) ("Central Enterprises Fund")	Domestic Shares	Beneficial owner	7,466,666(L)	13.51%	10.00%
Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金淅企業管理中心(有限合夥))[2]	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
FAN Yin[2]	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
SUN Jian[2]	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司)[2]	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)) ("Jinning Investment")	Domestic Shares	Beneficial owner	4,540,000(L)	8.22%	6.09%
XU Yi[6]	Domestic Shares	Interest of spouse	5,785,350(L)	10.47%	7.76%
Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,519,003(L)	8.18%	6.06%

Report of the Board

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in 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)	8.18%	6.06%
LIN Lijun	Domestic Shares	Interest in a controlled corporation	6,506,309(L)	11.77%	8.72%
Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally known as Shanghai Shengge Investment Management Co., Ltd)[4]	Domestic Shares	Interest in a controlled corporation	6,506,309(L)	11.77%	8.72%
Wind Information Co., Ltd. (萬得信息技術股份有限公司)	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.03%	4.47%
Shanghai Hehuayuan Enterprise Management Center (Limited Partnership) (上海荷花緣企業管理中心(有限合夥))	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.03%	4.47%
Wind Impact Equity Investment (Jiaxing) Partnership (Limited Partnership) (萬得影響力股權投資(嘉興)合夥企業(有限合夥)) ("Wind Investment")	Domestic Shares	Beneficial owner	3,333,000(L)	6.03%	4.47%
Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝沨投資有限公司)	Domestic Shares	Beneficial owner	2,780,000(L)	5.03%	3.73%
Jinshi Investment Co., Ltd. (金石投資有限公司)[5]	Domestic Shares	Interest in a controlled corporation	2,780,000(L)	5.03%	3.73%
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000(L)	7.52%	1.95%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900(L)	11.12%	2.88%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900(L)	6.62%	1.72%
OrbiMed Partners II, L.P.	H Shares	Beneficial owner	1,052,000(L)	5.44%	1.41%
UBS Group AG	H Shares	Interest in a controlled corporation	1,029,400(L)	5.32%	1.38%
ZOU Haili (鄒海麗)	H Shares	Beneficial owner	1,680,000(L)	8.69%	2.25%

(5)Domestic Shares Interestal owner65.193 -10534 Td ⊠4B30F1[t in a controlled corporation 1,0172400860

Report of the Board

Notes:

(L): Long position

(1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 19,340,300 H Shares (an aggregate of 74,600,300 Shares) issued by the Company as of December 31, 2022.

(2) FAN Yin holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金淅企業管理中心(有限合夥)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金淅企業管理中心(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) (上海金淅企業管理中心(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 known as Shanghai Shengge Investment Management Co., Ltd (上海盛歌投資管理有限公司)) is a general partner of Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Loyal Valley Investment Management Co., Limited is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) (which directly holds 1,987,356 Domestic Shares of the Company) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.

(5) Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝汭投資有限公司) is wholly held by Jinshi Investment Co., Ltd. (金石投資有限公司). Therefore, Jinshi Investment Co., Ltd. (金石投資有限公司) is deemed to be interested in the Domestic Shares held by Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝汭投資有限公司) in the Company by virtue of Part XV of the SFO.

(6) Ms. WANG Hongyue is the general partner of Ningbo Xinshi Kangning Investment Management L.P. and Ningbo Enci Kangning Investment Management Partnership (Limited Partnership) and holds approximately 50.62% and 37.10%, respectively, in such management partnerships, both of which are limited partnerships. Therefore, by virtue of Part XV of the SFO, Ms. WANG Hongyue is deemed to be interested in all the Domestic Shares held by the above management partnerships in the Company. Mr. XU Yi is the spouse of Ms. WANG Hongyue. Mr. XU Yi is deemed to be interested in the Domestic Shares held by Ms. WANG Hongyue by virtue of Part XV of the SFO.

Save as disclosed above, as at December 31, 2022, 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

Report of the Board

Corporate Governance

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

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

Sufficiency of Public Float

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

Important Events after the Reporting Period

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

Audit Committee

The Audit Committee of the Board of Directors of the Company has reviewed the Company's and the Group's 2022 annual results, and the audited consolidated financial statements for 2022 prepared in accordance with the China Accounting Standards for Business Enterprises.

Auditor

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

Report of the Board

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

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

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

As approved by the Audit Committee of the Board and the annual general meeting for the year 2021 of the Company held on December 16, 2022, BDO was appointed as the auditor for the 2022 annual auditing of H Shares of the Company and the 2022 legal auditing of the Company, to review the 2022 interim financial report of the Company prepared in accordance with PRC Accounting Standards, to audit the annual financial statements for 2022 to be prepared by the Company under PRC Accounting Standards for Business Enterprises, to conduct special review on the Company's matters before 2022 and necessary communication with the Company's former auditors in accordance with the relevant provisions

Report of the Board

On March 14, 2022, the independent investigation committee of the Company appointed an independent third-party accounting firm as the independent investigation firm (the "**Investigation Firm**") to independently investigate the relevant issues in relation to cash flows, namely (1) cash flows in personal bank accounts of key financial personnel (the "**Alleged Area I**"); (2) cash flows in personal bank account of a certain employee of the social work department of the Company (the "**Alleged Area II**"); and (3) cash flows in personal bank account of a senior management officer of the Company (the"**Alleged Area III**"). During the period from March 14, 2022 to September 23, 2022, the Investigation Firm completed the relevant works, and issued an independent investigation report on the abovementioned alleged areas on October 14, 2022. In order to further gather relevant facts and supporting evidence to assist the Company in assessing the impact of the indicated areas on the Company's financial position, the Company's independent investigation committee requested the Investigation Firm to conduct additional independent investigations into the Alleged Areas. As of the date of this annual report, supplementary independent investigation has been completed, please refer to the announcement of the Company dated April 14, 2023 for details of the key findings of the supplementary independent investigation.

The Company published the Annual Results Announcement for the year ended December 31, 2021 and the 2021 Annual Report on October 27, 2022 and November 15, 2022, respectively.

The Company published the Interim Results Announcement for the six months ended June 30, 2022 and the Interim Report for the six months ended June 30, 2022 on January 10, 2023 and January 16, 2023, respectively.

The independent investigation committee of the Company is of the view that the independent investigation report has been thoroughly conducted by professionals and has been completed to the extent presently and reasonably possible. The Board has decided to rectify all issues arising from the alleged areas with reference to the independent investigation report.

In view of the above, the Board has proposed the following remedial measures in response to the Company's operational and internal control problems:

1. Carrying out the necessary changes to the Board and the management of the Company;

2. Regarding the personal interests obtained by Ms. WANG Hongyue from Alleged Area III, the Company will consider commencing judicial proceedings for civil recovery against her after obtaining legal advice on the same;

3. Strengthening the use of external expert support;

4. Reassessing accounting treatment and making necessary corrections of prior accounting errors, if any;

5. Relevant treatment of the Indirect Investor and the Renovation Supplier and the Actual Controller involved in Alleged Area I and Alleged Area III;

6. Strengthening the internal control system and compliance supervision.

Report of the Board

For details of the independent investigation and the supplementary independent investigation, please refer to the announcements of the Company dated October 14, 2022 and April 14, 2023.

Correction of previous accounting errors

As mentioned in above section headed "Independent investigation related matters" of this Report of the Board, certain findings of the independent investigation may have an impact on the Company's disclosed financial statements for 2020 and 2021, therefore, the 38th Meeting of the 3rd Session of the Board of Directors and the 11th Meeting of the 3rd Session of the Supervisory Committee of the Company considered and approved the "Proposal for Reviewing the Correction of Previous Accounting Errors", pursuant to which the errors in the disclosed financial statements for 2021 were corrected as follows:

Reasons for and details of the correction of previous accounting errors

Recognition of the donation of RMB9.18 million in 2020 as non-operating income
Based on the findings of the original independent investigation and after further observation, the Investigation Firm pointed out in its supplementary independent investigation report that, of the accounts receivable of RMB14.43 million incurred in 2019 and 2020 as mentioned by PwC, RMB9.18 million was a donation from the donor intended to help needy patients. As the 30th Meeting of the 3rd Session of the Board and the 8th Meeting of the 3rd Session of the Supervisory Committee of the Company have reviewed and approved the "Proposal for Correcting Accounting Errors in the Disclosed Financial Statements for 2020", and had the above-mentioned RMB9.18 million restated as a liability, it was therefore recognized as a non-operating income in accordance with the latest investigation results, the recommendations of the independent investigation committee and the resolution of the Board. The impact of such error correction on the financial statements for 2020 was that other receivables and other payables were reduced by RMB12,878 and RMB9,203,741 respectively, while non-operating income was increased by RMB9,190,863; and the impact on the financial statements for 2021 was that other receivables, investment income and other payables were reduced by RMB12,878, RMB12,878 and RMB9,203,741 respectively, while undistributed profit at the beginning of the period was increased by RMB9,190,863.

The cumulative impact of the correction of previous accounting errors in the financial statements for 2020 and 2021

(1) Consolidated Income Statement for 2020

(Unit: RMB, unless otherwise specified)

Items	After restatement	Cumulative effect of error correction	Before restatement
Non-operating income	12,987,640	9,190,863	3,796,777
Gross profit	83,509,118	9,190,863	74,318,255
Net profit	52,846,923	9,190,863	43,656,060
Net profit attributable to owners of the parent company	64,961,025	9,190,863	55,770,162

Report of the Board

(2) Consolidated Balance Sheet for 2020

(Unit: RMB, unless otherwise specified)

Items	After restatement	Cumulative effect of error correction	Before restatement
Other receivables	63,465,824	-12,878	63,478,702
Total current assets	542,683,617	-12,878	542,696,495
Total assets	2,161,261,775	-12,878	2,161,274,653
Other payables	76,603,400	-9,203,741	85,807,141
Total current liabilities	606,077,103	-9,203,741	615,280,844
Total liabilities	946,349,216	-9,203,741	955,552,957
Undistributed profit	214,856,099	9,190,863	205,665,236
Total equity interests attributable to owners of the parent company	1,122,247,550	9,190,863	1,113,056,686
Total owner's equity interests	1,214,912,559	9,190,863	1,205,721,695
Total liabilities and owner's equity interests	2,161,261,775	-12,878	2,161,274,653

(3) Consolidated Financial Statement for 2021

(Unit: RMB, unless otherwise specified)

Items	After restatement	Cumulative effect of error correction	Before restatement
Other receivables	29,925,488	-12,878	29,938,366
Total current assets	609,602,623	-12,878	609,615,501
Total assets	2,377,954,989	-12,878	2,377,967,867
Other payables	57,319,524	-9,203,741	66,523,265
Total current liabilities	535,774,635	-9,203,741	544,978,376
Total liabilities	1,097,675,868	-9,203,741	1,106,879,609
Investment income	6,937,845	-12,878	6,950,723
Undistributed profit	257,098,624	9,190,863	247,907,761
Total equity interests attributable to owners of the parent company	1,208,263,897	9,190,863	1,199,073,034
Total owner's equity interests	1,280,279,120	9,190,863	1,271,088,257
Total liabilities and owner's equity interests	2,377,954,989	-12,878	2,377,967,867

Report of the Board

Opinions of the Independent Non-executive Directors

The independent non-executive directors believe that the Company has implemented the accounting standards for business enterprises in a more rigorous manner, and its correction of such accounting errors is in line with the actual operational and financial conditions of the Company. The correction of the accounting errors complies with the provisions of the Accounting Standards for Business Enterprises and such other relevant documents. The revised financial figures and financial statements will be able to reflect the Company's financial conditions more objectively and fairly. Therefore, the independent non-executive directors agree on the correction of such accounting errors.

Opinions of the Board

The Board believes that the consideration and voting procedures for the correction of previous accounting errors comply with the relevant provisions of the laws and regulations as well as the Company's Articles of Association, which will be able to reflect the Company's financial conditions and operating results more accurately, and is conducive to improving the quality of the Company's financial information. The Board unanimously agrees on the correction of such previous accounting errors.

Opinions of the Supervisory Committee

The Supervisory Committee believes that the correction of such previous accounting errors complies with the relevant provisions of the laws, regulations, and financial and accounting systems, and truly and objectively reflects the financial conditions of the Company. The Supervisory Committee agrees on the correction of such accounting errors.

Opinions of the Audit Committee

The Audit Committee believes that the correction of the accounting errors complies with the provisions of the Accounting Standards for Business Enterprises and such other relevant documents, which is conducive to objectively and fairly reflecting the Company's financial conditions and operating results, and the retrospective adjustment process is legal and compliant. The Audit Committee agrees on the correction of such accounting errors.

The details of the significant events are set out in "Notes XV to the Financial Statements—Other significant events" in this annual report.

Report of the Board

Continued Suspension of Trading

At the request of the Company, trading in the Shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on April 1, 2022. Trading in the Shares of the Company will remain suspended until further notice.

Shareholders and potential investors of the Company are reminded to rationally deal with any information not officially released by the Company, and Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

For and on behalf of the Board
GUAN Weili
Chairman

Zhejiang, the PRC
April 14, 2023

Report of the Supervisory Committee

To the Shareholders:

In 2022, the Supervisory Committee, in accordance with the PRC Company Law, the Articles, the rules of procedure of the Supervisory Committee and other relevant provisions, duly performed various duties and obligations, and exercised their supervisory duties according to law. Through attending the Board meetings and general meetings, the Supervisory Committee effectively supervised the standardization and effectiveness of corporate governance, the consideration and implementation of major decisions and important operational activities of the Company, and the diligent performance of the Directors and senior management personnel of the Company, thereby effectively safeguarding the legitimate rights and interests of all Shareholders.

During the Reporting Period, the Supervisory Committee prudently reviewed the Company's operation and development plans, provided reasonable suggestions and advice to the Board, and strictly and effectively monitored and supervised the Company's management in formulating major policies and decisions to promote the standardized and healthy development of the Company.

The Supervisory Committee considers that the decision-making matters and process of the Company during the Reporting Period were legal and effective, Directors and the senior management conscientiously implemented the resolutions of the general meetings and the Board meetings, and the existing internal control system is more optimized, and the management is more standardized.

In 2023, the Supervisory Committee will continue to strengthen its self-construction and constantly adapt to the regulatory requirements. Through learning relevant regulations, the Supervisory Committee will firmly establish the awareness of performing its duties in compliance, and continuously improved its ability to perform its duties, thereby further exert the independence, professionalism and effectiveness of the supervision of the Supervisory Committee and improve the level of corporate governance.

For and on behalf of the Supervisory Committee
XU Ning
Chairman

Zhejiang, the PRC
April 14, 2023

Corporate Governance Report

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

The Board

Board Composition

As at the Latest Practicable Date, the Board comprises six Directors, including two executive Directors, two non – executive Directors and two 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 terms of office of the third session of the Board shall be three years.

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

Corporate Governance Report

Changes of Directors, Supervisors and Chief Executives

On December 31, 2021, due to personal health problems, Ms. WANG Hongyue resigned as the chief financial officer of the Company. Mr. JIN Hui was appointed as the chief financial officer of the Company with effect from January 10, 2022.

On January 17, 2022, due to personal commitments and other work arrangements, Mr. CHEN Jian resigned as an independent Supervisor of the Company.

On February 15, 2022, due to his advancing age and willingness to ease workload to spare more time for his personal commitments, Mr. SUN Fangjun resigned as the chairman of the Supervisory Committee and an employee representative Supervisor.

On February 19, 2022, as considered and approved by the employee representative meeting of the Company, Mr. XU Ning was appointed as an employee representative Supervisor, the term of which shall expire on the date of expiration of the term of the third session of the Supervisory Committee of the Company.

On July 12, 2022, Ms. NG Wing Shan resigned as the joint company secretary of the Company (the "**Joint Company Secretary**"), an Authorized Representative and the process agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**"). Mr. WONG Wai Chiu has been appointed as the Joint Company Secretary, an Authorized Representative and the Process Agent with effect from July 12, 2022.

On September 1, 2022, due to personal work arrangements, Ms. WANG Hongyue resigned as the executive Director of the Company and the authorized representative of the Company under Rule 3.05 of the Listing Rules ("**Authorized Representative**"). Mr. GUAN Weili has been appointed as the Authorized Representative with effect from September 1, 2022.

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

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

Corporate Governance Report

Induction of and Continuous Professional Development for Directors

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

During the Reporting Period, all Directors of the Company, namely Mr. GUAN Weili, Ms. WANG Lianyue, Ms. WANG Hongyue (resigned on September 1, 2022), Mr. QIN Hao, Mr. LI Changhao, Mr. ZHAO Xudong (resigned on March 10, 2023), Ms. ZHONG Wentang and Mr. LIU Ning, had read through a number of written materials with regard to Director's duties and responsibilities.

Compliance with the Model Code

Paragraph A.3 of the Model Code provides, among other matters, that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results (the "**Black-out Period**"). Paragraph B.8 of the Model Code further provides that a director must not deal in any securities of the issuer without first notifying in writing to the chairman and receiving a dated written acknowledgement.

The Company published its interim results announcement for the six months ended June 30, 2022 (the "**Interim Results**") on January 10, 2023. In this regard, on December 28, 2022, the Company issued a notice reminding all the Directors, Supervisors and senior management of the Company in relation to, among other things, (i) the proposed date for publication of the Interim Results; and (ii) the restriction on the Directors of the Company in dealing in the Shares of the Company during the Black-out Period (i.e. from December 11, 2022 to January 10, 2023).

On January 5, 2023, the Company was notified by Ms. WANG Lianyue ("**Ms. Wang**"), an executive Director, that due to an inadvertent mistake, Ms. Wang has transferred 100,000 domestic Shares of the Company held by her to Mr. Wang Jian, the joint company secretary of the Company at a price of RMB13.28 per Share on December 19, 2022 (the "**Disposal**"). Prior to the Disposal, Ms. Wang had not notified/informed the chairman of the Board or any other Directors of the Company. As Ms. Wang had dealt in the Shares of the Company during the Black-out Period without informing the chairman of the Company or any other Directors of the Company in advance, the Company is of the view that Ms. Wang has not, although not intended, to comply with the requirements of paragraphs A.3 and B.8 of the Model Code.

Corporate Governance Report

The Company has taken, among other things, the following remedial measures to ensure that the Company and its Directors, Supervisors and senior management comply with the Model Code and avoid recurrence of similar incidents:

(1) communicating with Ms. Wang and reminding her that a Director must not deal in any securities of the Company without notifying in writing to the chairman or another Director (other than Ms. Wang herself) designated by the Board for this purpose and receiving a dated written acknowledgement;

(2) reminding all Directors, Supervisors and senior management of the Company of their obligations in relation to dealings in securities as set out in the Model Code adopted by the Company;

(3) planning to organise training sessions in the near future for all Directors, Supervisors and senior management of the Company.

The Board considers that by adopting the aforesaid measures, it would enable Directors, Supervisors and senior management of the Company to understand the dealing restriction during the Black-out Period and the procedures that they need to follow before dealing in the securities of the Company. The Company therefore considered that the implementation of the above measures would minimize the chance of breach of the Model Code by Directors, Supervisors and senior management in the future.

The Company minimizes the scope of insiders before publication of such inside information. 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 file 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 make the punishment decisions or transfer them to the judicial organs for handling in accordance with the law, in accordance with the seriousness of the case.

Save as disclosed above, 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.

Corporate Governance Report

Corporate Governance

On March 10, 2023, due to his retirement and personal health reasons, Mr. ZHAO Xudong ceased to act as an independent non-executive Director of the Company, the chairman of the Remuneration Committee of the Board and a member of the Nomination Committee of the Board. Following the resignation of Mr. ZHAO Xudong, the number and composition of the independent non-executive Directors of the Company did not meet the following requirements of the Hong Kong Listing Rules that: (i) the Board shall include at least three independent non-executive directors under Rule 3.10 of the Hong Kong Listing Rules; (ii) the remuneration committee shall be chaired by an independent non-executive director under Rule 3.25 of the Hong Kong Listing Rules; and (iii) the members of the nomination committee shall comprise a majority of independent non-executive directors under Rule 3.27A of the Hong Kong Listing Rules. On March 10, 2023, the Board considered and approved the nomination of Ms. JIN Ling as the candidate of an independent non-executive Director of the Company, the chairman of the Remuneration Committee of the Board, and a member of the Nomination Committee of the Board. A general meeting of the Company will be held to consider and approve the proposed election of Ms. JIN Ling as an independent non-executive Director. For details, please refer to the announcement of the Company dated March 10, 2023.

Save as disclosed above, the Board is of the opinion that the Company has complied with all code provisions and the recommended best practices under the CG Code throughout the Reporting Period.

Service Contracts of the Directors and Supervisors

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

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

Accounting Standards

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

Accounting Policies

Accounting Policies

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

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

Corporate Governance Report

Changes of Significant Accounting Policies

The changes of significant accounting policies are set out in "Note III (XXXI) to the Financial Statements – Significant accounting policies and accounting estimates" of this annual report.

Attendance at Board Meetings and General Meetings

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

During the Reporting Period, the Company held 11 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 *(Chairman)*	11/11
Ms. WANG Lianyue	11/11
Ms. WANG Hongyue (resigned on September 1, 2022)	*5/5*
Non-executive Directors	
Mr. QIN Hao	11/11
Mr. LI Changhao	11/11
Independent non-executive Directors	
Mr. ZHAO Xudong (resigned on March 10, 2023)	11/11
Ms. ZHONG Wentang	11/11
Mr. LIU Ning	11/11

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, one general meeting 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 *(Chairman)*	1/1
Ms. WANG Lianyue	1/1
Ms. WANG Hongyue (resigned on September 1, 2022)	0/0
Non-executive Directors	
Mr. QIN Hao	1/1
Mr. LI Changhao	1/1
Independent non-executive Directors	
Mr. ZHAO Xudong (resigned on March 10, 2023)	1/1
Ms. ZHONG Wentang	1/1
Mr. LIU Ning	1/1

Corporate Governance Report

Board Committees

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

Audit Committee

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

As of the date of this report, the Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (chairman of the Audit Committee) and Mr. LIU Ning, and one non-executive Director, Mr. LI Changhao. Five meetings of the Audit Committee were held during the Reporting Period to, among other matters, review the annual results for the year 2021 and interim results for the year 2022 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 *(Chairman)*	5/5
Mr. LIU Ning	5/5
Mr. LI Changhao	5/5

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 one independent non-executive Director, Mr. LIU Ning (chairman of the Nomination Committee), and one executive Director, Mr. GUAN Weili. Two meetings of the Nomination Committee were held during the Reporting Period to, among other matters, review the independence of the independent non-executive Directors and evaluate of the structures of committees under the Board.

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

Directors	Number of meetings convened/attended
Mr. LIU Ning *(Chairman)*	2/2
Mr. GUAN Weili	2/2
Mr. ZHAO Xudong (resigned on March 10, 2023)	2/2

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 two independent non-executive Directors, Ms. ZHONG Wentang and Mr. LIU Ning. 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 2021.

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
Mr. ZHAO Xudong *(Chairman)* (resigned on March 10, 2023)	1/1
Ms. ZHONG Wentang	1/1
Mr. LIU Ning	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 discretional 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, 2022 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 of the Strategy and Risk Management Committee), 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 2021 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 *(Chairman)*	1/1
Ms. ZHONG Wentang	1/1
Mr. QIN Hao	1/1

Board Diversity Policy

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

Corporate Governance Report

The Current Composition of the Board

Age	Gender	Years of service as Director
30 – 49 years (3 persons)	Female (33.3%)	1 – 5 years (4 persons)
50 – 59 years (3 persons)	Male (66.7%)	6 – 10 years (2 persons)

The Board currently comprises 2 female Directors and 4 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, 2022, the composition of the Board was balanced and diversified.

Gender Diversity in the Workforce

As at December 31, 2022, the Group had a total of 4,196 employees (including senior management), of which 66.63% were female employees and 33.37% were male employees. The Group has formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of "fairness, impartiality and openness" in considering the academic qualifications, working experience and skills of the applicants to assess whether they have met the requirements of the employment positions.

Corporate Governance Functions

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

(a) to review the Company's compliance with the CG Code and disclosure in the corporate governance report;

(b) to develop and review the Company's policies and practices of corporate governance;

(c) to develop, review and monitor the code of conduct applicable to Directors and employees;

(d) to review and monitor the training and continuous professional development of Directors, Supervisors and senior management; and

(e) to review and monitor the Company's policies and practices on the compliance with legal and regulatory requirements.

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

Corporate Governance Report

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended December 31, 2022, 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. Regarding issues now existing in respect of the Company's risk management and internal control, the Board has decided to rectify all issues arising from the matters involved with reference to the independent investigation report and the supplementary report of the independent investigation and put forward corresponding remedial measures. For details, please refer to the announcements of the Company dated October 16, 2022 and April 14, 2023 and "Notes XV to the Financial Statements-Other significant events" of this annual report.

In order to fulfill the condition stated in the resumption guidance and address the internal control issues identified during the Independent Investigation, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to holistically review the internal controls and procedures of the Company, make suggestions for improvement, and conduct a follow-up review on the Company's implementation of its enhanced internal control measures. On April 11, 2023, the Company received the final version of an internal control review report dated April 11, 2023 issued by the Internal Control Adviser. The Internal Control Adviser conducted follow-up reviews in October 2022 and from February to March 2023. After the follow-up reviews, the Internal Control Adviser became aware that the Group has fully addressed the deficiencies identified during their first review and implemented remedial measures accordingly, and that nothing has come to its attention that such remedial measures have not been properly implemented or that the current internal control system of the Group is not effective. Please refer to the announcement of the Company dated April 14, 2023 for details of the summary of the key findings of the Internal Control Review, the corresponding suggestions made by the Internal Control Adviser and the remedial actions taken by the Group are set out in this announcement.

Corporate Governance Report

Senior Management's Remuneration

The details of the Company's senior management are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, whose remuneration band for the year ended December 31, 2022 is as below:

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

Auditor's Remuneration

For the year ended December 31, 2022, the Group's statutory auditor, BDO, provided annual audit services. During the year ended December 31, 2022, the total fee paid/payable in respect of the audit and non-audit services provided by the Group's auditor is set out below:

Audit services	RMB5,300,000
Non-audit services (including reviewing the 2022 interim financial report of the Company, special review on the Company's matters before 2022 and necessary communication with the Company's former auditors in accordance with the relevant provisions of PRC Auditing Standards, and other duties as required under the Hong Kong Listing Rules)	RMB1,066,300

Joint Company Secretaries

During the Reporting Period, Mr. WONG Wai Chiu was one of the joint company secretaries of the Company. Mr. WONG's primary contact person at the Company was Mr. WANG Jian, the secretary to the Board and the other joint company secretary.

During the Reporting Period, Mr. WONG undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules. Mr. WANG attended relevant training relating to the roles, functions and duties of directors of a listed company in Hong Kong and was from time to time been updated by and received training materials from the external lawyers during the Reporting Period, he also undertook not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules. He will continue to attend relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules for the year ended December 31, 2022.

On July 12, 2022, Ms. NG Wing Shan resigned as the joint company secretary of the Company, and Mr. WONG Wai Chiu, an employee of an external service provider, SWCS Corporate Services Group (Hong Kong) Limited, replaced her as the joint company secretary of the Company.

Corporate Governance Report

Communication with Shareholders and Investor Relations

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

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

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

During the Reporting Period, one general meeting was held by the Company. Published documents 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.

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

Shareholders' Rights

Procedures for Shareholder(s) to Convene an Extraordinary General Meeting ("EGM")
Shareholders requesting the convening of an EGM shall proceed in accordance with the procedures set forth below:

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

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

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

Corporate Governance Report

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

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

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

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

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

Address:
No.1 Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
the PRC
Fax: (86) 577 8878 9117
Email: ir@knhosp.cn

Procedures for Directing Shareholders' Enquiries to the Board

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

Address:
No.1 Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
the PRC
Fax: (86) 577 8878 9117
Email: ir@knhosp.cn

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

Corporate Governance Report

Change in Constitutional Documents

During the Reporting Period, the Articles was not amended.

Dividend Policy

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

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

(I) cash;

(II) share;

(III) other methods permitted by laws, administrative regulations, departmental rules and regulation, and the regulatory rules of the place(s) of listing.

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

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

Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. GUAN Weili (管偉立), aged 53, is chairman of the Board and an executive Director. 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 54, is our executive Director and general manager. 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

Non-executive Directors

Mr. QIN Hao (秦浩), aged 32, 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 33, 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. He consecutively served as the investment manager and the vice president of SDIC Chuangyi Industry Fund Management Co., Ltd. from May 2014 to December 2021. He has served as a supervisor of Yunnan Aluminum Co., Ltd. (雲南鋁業股份有限公司), a company listed on the Shenzhen Stock

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Ms. ZHONG Wentang (鐘文堂), aged 33, 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.

Mr. LIU Ning (劉寧), aged 59, joined the Group in June 2020. He has been serving as the vice chairman of Winning Health Technology Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300253.SZ) with focus on medical and health informatization) since April 2004, mainly responsible for the company's overall management. Since February 2018, he has been serving as the chairman of Kxhealth Medical Technology (Shanghai) Co., Ltd. (快享醫療科技(上海)有限公司), mainly responsible for the overall management of the company. Since July 2018, he has been serving as an executive director of Beijing Winning Health Technology Co., Ltd. (北京衛寧健康科技有限公司), mainly responsible for the overall management of the company. Since October 2019, he has been serving as an executive director of Shanghai Weixin Technology Co., Ltd. (上海衛心科技有限公司), mainly responsible for the overall management of the company. From April 1991 to April 2004, he successively served as a technician of the United States Hewlett-Packard (HP) Company and a director and vice president of Shanghai Kingstar Winning Medical Information Technology Co., Ltd. (上海金仕達衛寧醫療信息技術有限公司).

Mr. Liu graduated from Fudan University in Shanghai in June 1985 with a bachelor's degree in applied mechanics. He graduated from Fudan University in Shanghai in June 1988 with a master's degree in applied mathematics. He was qualified for holding senior engineer as evaluated by the Qualification Review Committee for Senior Professional Technical Positions of Shanghai High-tech Achievements Transformation of Engineering Series (上海市工程系列高新技術成果轉化類高級專業技術職務任職資格評審委員會) in May 2000.

Supervisors

Mr. XU Ning (許寧), aged 49, 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 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.

Directors, Supervisors and Senior Management

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

Mr. XU Yongjiu (徐永久), aged 45, 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, 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)). Since January 19, 2018 onwards, he has served as a director of Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司). Since February 2016, he has served as a supervisor of Shanghai Yincheng Investment Co., Ltd. (上海銀騁投資有限公司). 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.

Mr. QIAN Chengliang (錢成良), aged 72, is our independent Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Qian joined the Company in June 2017 and has served as our independent Supervisor since then. Prior to joining the Company, from May 2007 to May 2012, he served as a deputy officer at the Standing Committee of Wenzhou Municipal People's Congress (溫州市人大常委會). From February 2003 to April 2007, he served as a vice mayor of Wenzhou. From October 1996 to January 2003, he served as a member of Standing Committee and officer of the organization division in Lishui (麗水市委常委). From November 1995 to September 1996, he served as an executive deputy officer of the organization division of the municipal committee of the Communist Party in Wenzhou.

Mr. XIE Tiefan (謝鐵凡), aged 43, is a Supervisor. He is primarily responsible for monitoring our compliance with laws and regulations. Mr. Xie joined the Company in May 2000 and currently serves as material purchasing department manager, is primarily responsible for equipment purchase and management. From May 2000 to August 2017, he held a variety of positions in the Company including the deputy director of the information department, the deputy director of the equipment department, the director of the equipment department. He was appointed as a Supervisor in September 2014 after the Company was converted into a joint stock limited liability company. He was appointed as material purchasing department manager in September 2017. Mr. Xie graduated from the Open University of China (中央廣播電視大學) in Beijing with an associate degree in finance in December 2004.

He graduated from Jinggangshan University in Jiangxi Province (江西省井崗山大學) with a bachelor's degree in biomedical engineering in January 2016. Mr. Xie was accredited as assistant engineer by the Wenzhou Municipal Bureau of Personnel (溫州市人事局) in December 2007.

Directors, Supervisors and Senior Management

Senior Management

Mr. ZHOU Chaoyi (周朝毅), aged 60, 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 manger 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 (

Directors, Supervisors and Senior Management

Mr. XU Yi (徐誼), aged 48, 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 manger 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 200d 81 Tw T1ior

Directors, Supervisors and Senior Management

Mr. WANG Jian (王健), aged 38, is our vice general manager and the secretary to our Board. 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 our Board since then. Mr. Wang was appointed as the secretary to our Board again in September 2014 after the Company was converted into a joint stock limited liability company. Mr. Wang was appointed as our vice general manger in June 2017. 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 CSRC Xiamen Regulatory Bureau (中國證監會廈門監管局) where he was primarily responsible for monitoring the corporate governance and information disclosure of listed companies in the Xiamen area. From February 2008 to March 2009, he was a senior auditor at Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), where he was primarily responsible for audit work. From August 2005 to February 2008, he served as an auditor and a senior auditor at PricewaterhouseCoopers Zhong Tian CPAs Limited Company, where he was primarily responsible for audit work. Mr. Wang obtained a bachelor's degree in management from Guanghua School of Management at Peking University (北京大學光華管理學院) in Beijing in July 2005, where he majored in business administration. Mr. Wang was recognized as a non-practicing certified public accountant (註冊會計師非執業會員) by the Chinese Institute of Certified Public Accountants in April 2010 and was granted the legal professional qualification certificate by the Ministry of Justice of the PRC in March 2014.

Mr. JIN Weiguang (金偉光), aged 55, is our vice general manager. He is primarily responsible for handling the operation of the Company's hospitals in Haixi region. Mr. Jin joined the Company in May 2015 and served as the vice general manager of Shenzhen Yining Hospital from May 2015 to May 2017, where he was primarily responsible for operation functions. Mr. Jin served as the chief investment officer of the Company from May 2017 to February 2022 and has served as the general manager of Haixi region of the Company since February 2022. He was appointed as the vice general manager of the Company in November 2018. Prior to joining the Company, from August 1987 to April 2015, he served in Wenzhou Municipal Health Bureau (溫州市衛生局), mainly responsible for planning, finance and other management works, concurrently serving as director of the planning finance department of Wenzhou Municipal Health Bureau from April 2009 to April 2015. From March 2002 to March 2009, he served as deputy head of office and deputy director of the planning finance department of Wenzhou Municipal Health Bureau. Mr. Jin graduated from the Correspondence College of the Party School of the Central Committee of CPC (中央黨校函授學院) in December 1997, majoring in economic management. He graduated from the regional economic postgraduate course of Zhejiang Normal University (浙江師範大學區域經濟研究生課程進修班) in August 2002. He graduated from the Australian Training Course on Health Administration (Medical Quality Management) (澳大利亞衛生行政管理(醫療質量管理)培訓班) in November 2003. He also graduated from the Public Administration Seminar of Zhejiang University (浙江大學公共管理研修班) in November 2004.

Directors, Supervisors and Senior Management

Mr. JIN Hui (金輝), aged 36, is our chief financial officer. He is primarily responsible for the overall financial management. He joined the Company in January 2022 and has served as our chief financial officer. Prior to joining the Company, he served as audit assistant, project leader and senior partner of Zhejiang Huaming Certified Public Accountants Company Limited (浙江華明會計師事務所有限公司) from February 2012 to December 2021, primarily responsible for the audit of various corporations, enterprises or institutions. He was responsible for the annual report and economic responsibility audit of Wenzhou municipal hospitals; annual report audit projects of large state-owned enterprises; audit of real estate, banking and other industries and government departments. He was employed as a budget review expert of Wenzhou Municipal People's Congress in November 2018, primarily responsible for the review and supervision of budget and final account settlement. Prior to joining the Zhejiang Huaming Certified Public Accountants Company Limited, he served as an audit assistant in Wenzhou Lead Certified Public Accountants Company Limited (溫州立德會計師事務所有限公司) from February 2009 to January 2012. Mr. Jin graduated from Zhejiang University of Finance & Economics (浙江財經大學) with a bachelor's degree in economics in June 2008. He obtained the qualification of certified public accountant issued by Zhejiang Provincial Department of Finance in March 2013.

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

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
GUAN Weili	Qingtian Kangning Hospital Co., Ltd.	Executive director	From April 2011 to present
	Cangnan Kangning Hospital Co., Ltd.	Executive director	From June 2012 to present
	Yongjia Kangning Hospital Co., Ltd.	Executive director	From December 2012 to present
	Yueqing Kangning Hospital Co., Ltd.	Executive director	From September 2013 to present
	Shenzhen Yining Hospital	Executive director	From September 2014 to July 2022
	Beijing Yining Hospital Co., Ltd.	Chairman	From August 2015 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Executive director	From November 2015 to present
	Pingyang Kangning Hospital Co., Ltd.	Executive director	From November 2015 to present
	Shenzhen Yining Medical Investment Co., Ltd.	Executive director, General manager	From September 2015 to present
	Quzhou Yining Hospital Co., Ltd.	Chairman	From November 2015 to November 2022
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Chairman, General manager	From April 2020 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
WANG Lianyue	Yiwu Kangning Hospital Management Co., Ltd.	Executive director, Manager	From January 2017 to present
	Qingtian Kangning Hospital Co., Ltd.	Manager	From December 2018 to present
	Beijing Yining Hospital Co., Ltd.	Director	From May 2019 to present
	Hangzhou Yining Nursery Service Co., Ltd.	Executive director, General manager	From December 2020 to present
	Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Director	From February 2022 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

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
XU Yi	Qingtian Kangning Hospital Co., Ltd.	Supervisor	From April 2011 to present
	Yueqing Kangning Hospital Co., Ltd.	Supervisor	From September 2013 to present
	Shenzhen Yining Hospital Co., Ltd.	Supervisor	From September 2014 to present
	Wenzhou Yining Geriatric Hospital Co., Ltd.	Supervisor	From November 2015 to present
	Beijing Yining Hospital Co., Ltd.	Supervisor	From August 2015 to present
	Shenzhen Yining Medical Investment Co., Ltd.	Supervisor	From September 2015 to present
	Quzhou Yining Hospital Co., Ltd.	Supervisor	From November 2015 to November 2022
	Zhejiang Huangfeng Hospital Management Co., Ltd.	Chairman	Form August 2016 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
	Hangzhou Yining Hospital Co., Ltd.	Chairman	From April 2017 to August 2022
	Taizhou Luqiao Cining Hospital Co., Ltd.	Executive director, Manager	From December 2016 to present
	Huainan Kangning Hospital Co., Ltd.	Chairman	From June 2018 to present
	Hangzhou Cining Hospital Co., Ltd.	Executive director, General manager	From November 2017 to present
	Wenzhou Tianzhentang TCM Clinic Co., Ltd.	Executive director	From January 2018 to present
	Wenzhou Tianzhentang TCM Clinic Co., Ltd.	General manager	From January 2018 to August 2022
	Zhejiang Jerinte Health Technology Co., Ltd.	Executive director, General manager	From December 2018 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Wenzhou Jieling Jingxin Technology Co., Ltd.	Executive director, General manager	From December 2021 to present
	Wenzhou Yuji Health Technology Co., Ltd.	Director	From April 2022 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
	Hangzhou Yining Hospital Co., Ltd.	General manager	From April 2019 to July 2022
	Chun'an Qiandao Lake Kangning Hospital Co., Ltd	Executive director, General manager	From May 2021 to present
	Quzhou Yining Hospital Co., Ltd.	Director	From November 2022 to present
WANG Jian	Quzhou Yining Hospital Co., Ltd.	Director	From November 2015 to present
	Hangzhou Yining Hospital Co., Ltd.	Director	From April 2017 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Chairman, Manager	From January 2019 to present
	Huainan Kangning Hospital Co., Ltd.	Director	From June 2019 to present
	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From March 2020 to present
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
	Zhejiang Yining Health Technology Co., Ltd.	Manager	From March 2020 to present
	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.	Executive director, General manager	From March 2020 to present
	Hangzhou Yining Medical Equipment R&D Co., Ltd.	Executive director, General manager	From April 2021 to present
	Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Chairman	From February 2022 to present
	Jingyun Shuning Hospital Co., Ltd.	Chairman	From October 2022 to present

Directors, Supervisors and Senior Management

Directors/Senior Management	Members of the Group	Positions Held at Members of the Group	Term of Office
ZHANG Feixue	Linhai Kangning Hospital Co., Ltd.	Executive director, Manager	From January 2018 to present
	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	Director	From January 2019 to present
	Linhai Cining Hospital Co., Ltd.	Executive director, Manager	From December 2020 to present
YE Minjie	Wenzhou Yixin Health Technology Co., Ltd.	Executive director, General manager	From May 2019 to June 2022
JIN Weiguang	Quzhou Yining Hospital Co., Ltd.	Director	From November 2015 to November 2022
	Heze Yining Psychiatric Hospital Co., Ltd.	Director	From December 2018 to present
	Pingyang Changgeng Yining Hospital Co., Ltd.	Executive director	From September 2021 to present
	Cangnan Yining Nursing Centre Co., Ltd.	Executive director, General manager	From March 2021 to December 2022
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

Auditor's Report

Xin Kuai Shi Bao Zi [2023] No.ZA12856

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

I. Opinion

We have audited the accompanying financial statements of Wenzhou Kangning Hospital Co., Ltd. (hereinafter referred to as "Kangning Hospital"), which comprise the consolidated and company's balance sheet as at 31 December 2022, the consolidated and company's income statement, 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 2022, 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 ("CASs").

II. Basis for Opinion

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

Auditor's Report

III. Key Audit Matters

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

We identified the following key audit matters in our audit:

Key Audit Matters	How we addressed the key audit matter
1. Donations, employees involved in company infrastructure projects, and financial transactions with company executives. We have issued a qualified opinion on the financial statements of Kangning Hospital for the year 2021. One of the bases for our qualified opinion is that we were unable to obtain sufficient and appropriate audit evidence regarding the substance and validity of the financial transactions and cash flows related to the following matters: (1) Kangning Hospital received a total of RMB14.4359 million of donations raised by a certain key financial personnel in 2019 to 2020; (2) An employee of the social work department of Kangning Hospital collected a total of RMB12.1116 million from five decoration suppliers (controlled by the same person) and their related parties from January 2018 to February 2022;	The audit procedures we have conducted include, but are not limited to: 1. Reading related legal opinions and supplementary reports issued by the independent third party investigation agency; 2. Enquiring the procedures, findings and basis of the investigation reports by interviewing personnel from the independent investigation agency; 3. Reading the valuation and the appraisal reports that related to the investigation, and using experts to review these reports;

Auditor's Report

III. Key Audit Matters (continued)

The key audit matters identified in our audit are presented as follows: (continued)

Key Audit Matters	How we addressed the key audit matter
1. Donations, employees involved in company infrastructure projects, and financial transactions with company executives. (continued)	
(3) During the period from 2018 to February 2022, a senior management officer of Kangning Hospital together with a total of 18 persons have accumulated capital inflows of RMB105.4394 million and capital outflows of RMB67.9658 million. The independent investigation agency appointed by the Independent Investigation Committee of the Company conducted further investigations and reached a clear conclusion on the above matters (see Note XV(III) Other significant issues which influence the decision making of investors 1. Independent investigation of supplementary matters). As donations, employee involvement in the company's infrastructure projects, and fund transactions with senior executives may have a significant impact on Kangning Hospital's financial statements and our audit opinion, we have identified them as key audit matters.	4. Interviewing with key personnel relating to the matters and access to their information such as cash flows, relevant contracts, confirmations letters for assets and liabilities of individuals; 5. Reviewing Kangning Hospital's accounting treatment for key audit matters.

Auditor's Report

III. Key Audit Matters (continued)

The key audit matters identified in our audit are presented as follows: (continued)

Key Audit Matters	How we addressed the key audit matter
2. Revenue Recognition Related to Impoverished Patients	
Kangning Hospital may not be able to fully receive the medical expenses that impoverished patients are responsible for. In order to improve revenue recognition related to poverty-stricken patients medical treatment, Kangning Hospital formulated the "Detailed Rules on the Accounting for Revenue related to Poverty-Stricken Patients" in 2022. According to the rules, the company set up an estimation model of the variable consideration in revenue recognition related to the treatment for impoverished patients. The Kangning Hospital re-organized the revenue information of poverty-stricken patients from 2019 to 2021 and re-evaluated the estimation of variable considerations for 2020 and 2021 based on revised method (see Note XV(III) Other significant issues which influence the decision making of investors 2. Adjustment of income of indigent patients). As the estimation of variable consideration in revenue recognition related to impoverished patients' medical treatment involves significant judgments made by management, we have identified it as a key audit matter.	Our audit procedures include, but are not limited to, the following: 1. Obtaining the method of variable consideration estimation related to revenues recognition of poverty-stricken patients; 2. Obtaining the historical data of impoverished patients' medical treatment amounts and various types of payments received for each year and quarter, which are required for the application of the variable consideration estimation method; 3. Recalculating the revenues relating to poverty-stricken patients based on the historical data and estimation methods provided by Kangning Hospital, and comparing it with the relevant figures of the Company, specifically focusing on the adjustments of revenue related to impoverished patients from the prior year; 4. Analyzing the revenue adjustments made by the Company in previous period regarding impoverished patients based on the comparison results; 5. Conducting sample checks on poverty-stricken patients, and analyzing the hospital's control over revenue recognition related to this group of patients.

Auditor's Report

IV. Other Information

Management of Kangning Hospital (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises all of the information included in 2022 annual report of Kangning Hospital other than the financial statements and our auditor's report thereon. Kangning Hospital's 2022 annual report is expected to be available to us after the audit report date.

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

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

When we review Kangning Hospital's 2022 Annual Report, if we determine that other information is materially misstated, auditing standards require that we communicate with governance about the matter and take appropriate action.

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

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

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

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

Auditor's Report

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

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

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

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Wenzhou Kangning Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Wenzhou Kangning Hospital to cease to continue as a going concern.

Auditor's Report

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

(V) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Wenzhou Kangning Hospital to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO China Shu Lun Pan Certified Public Accountants LLP

Signing CPA (Engagement Partner) ZHU Haiping

Signing CPA LIN Wenjun

Shanghai, the People's Republic of China
April 14, 2023

Consolidated Balance Sheets

As at 31 December 2022

ASSETS	Note V	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Current assets:				
Cash at bank and on hand	(I)	271,094,962.97	188,734,845.77	206,499,564.42
Settlement deposits				
Placements with banks and other financial institutions				
Financial assets held for trading	(II)	10,641,026.00	10,000,000.00	
Derivative financial assets				
Notes receivable				
Accounts receivable	(III)	382,836,690.89	311,757,875.46	225,300,247.01
Receivables financing				
Advances to suppliers	(VI)	32,201,223.97	11,858,427.06	9,909,510.16
Premium receivable				
Reinsurance accounts receivable				
Provision for reinsurance contract receivable				
Other receivables	(V)	37,195,219.68	29,925,487.99	63,465,823.77
Financial assets purchased for resale				
Inventories	(VI)	58,331,397.37	56,519,301.23	37,508,471.39
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets	(VII)	752,324.77	806,685.85	
Total current assets		793,052,845.65	609,602,623.36	542,683,616.75
Non-current assets:				
Granted loans and advances				
Debt investments				
Other debt investments				
Long-term accounts receivable	(VIII)	14,000,000.00		
Long-term equity investments	(IX)	143,546,246.10	129,847,779.24	97,816,933.76
Investment in other equity instruments				
Other non-current financial assets	(X)	63,116,852.05	65,812,274.58	57,404,918.27
Investment properties				107,804,936.40
Fixed assets	(XI)	695,020,440.79	721,846,771.52	533,743,383.81
Construction in progress	(XII)	152,497,399.68	43,795,718.15	134,941,286.10
Productive biological assets				
Oil and gas assets				
Right-of-use assets	(XIII)	190,403,751.58	257,412,270.13	232,612,440.56
Intangible assets	(XIV)	254,684,348.50	227,991,785.46	162,536,727.57
Development expenditure				
Goodwill	(XV)	107,655,738.49	135,741,377.18	79,199,853.12
Long-term prepaid expenses	(XVI)	189,586,338.87	150,501,037.40	153,550,839.60
Deferred tax assets	(XVII)	20,682,398.07	14,336,965.14	40,258,387.64
Other non-current assets	(XVIII)	13,541,047.21	21,066,386.60	18,708,451.10
Total non-current assets		1,844,734,561.34	1,768,352,365.40	1,618,578,157.93
TOTAL ASSETS		2,637,787,406.99	2,377,954,988.76	2,161,261,774.68

Consolidated Balance Sheets

As at 31 December 2022
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Current liabilities:				
Short-term borrowings	(XIX)	203,000,000.00	254,050,000.00	312,500,000.00
Borrowings from central bank				
Placements from banks and other financial institutions				
Financial liabilities held for trading	(XX)	13,922,929.38		
Derivative financial liabilities				
Notes payable	(XXI)	997,944.00		36,080.00
Accounts payable	(XXII)	85,773,061.53	69,162,001.55	71,955,863.77
Receipts in advance	(XXIII)	29,894,836.50	16,275,602.70	4,644,278.10
Contract liabilities	(XXIV)		3,240.59	12,965,175.33
Financial assets sold under repurchase agreements				
Receipt of deposits and deposits from other banks				
Funds received as agent of stock exchange				
Funds received as stock underwriter				
Employee benefits payable	(XXV)	70,558,349.71	60,488,184.27	42,785,133.18
Taxes payable	(XXVI)	33,507,164.16	30,235,329.33	49,046,555.41
Other payables	(XXVII)	72,193,729.87	57,319,524.21	76,603,399.98
Fees and commissions payable				
Reinsurance accounts payable				
Liabilities held for sale				
Non-current liabilities due within one year	(XXVIII)	147,598,324.39	48,240,752.22	35,540,616.71
Other current liabilities				
Total current liabilities		657,446,339.54	535,774,634.87	606,077,102.48
Non-current liabilities:				
Provision for insurance contracts				
Long-term borrowings	(XXIX)	391,010,000.00	280,950,000.00	110,992,970.00
Bonds payable				
Including: Preferred shares				
Perpetual bonds				
Lease liabilities	(XXX)	171,437,740.27	231,733,760.37	194,601,229.70
Long-term payables	(XXXI)	42,404,938.54		
Long-term employee benefits payable				
Provisions				
Deferred income	(XXXII)	9,037,891.00	9,341,683.00	9,645,475.00
Deferred tax liabilities	(XVII)	40,547,878.81	39,875,789.95	25,032,438.67
Other non-current liabilities				
Total non-current liabilities		654,438,448.62	561,901,233.32	340,272,113.37
Total liabilities		1,311,884,788.16	1,097,675,868.19	946,349,215.85

Consolidated Balance Sheets

As at 31 December 2022

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Shareholders' equity:				
Share capital	(XXXIII)	74,600,300.00	74,600,300.00	74,600,300.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital surplus	(XXXIV)	855,078,533.30	838,165,395.59	819,509,065.54
Less: Treasury stock				23,311,143.84
Other comprehensive income				
Special reserves				
Surplus reserve	(XXXV)	38,399,577.13	38,399,577.13	36,593,228.71
Provision for general risks				
Retained earnings	(XXXVI)	233,506,534.43	257,098,624.31	214,856,099.61
Total equity attributable to shareholders of the parent company		1,201,584,944.86	1,208,263,897.03	1,122,247,550.02
Non-controlling interests		124,317,673.97	72,015,223.54	92,665,008.81
Total shareholders' equity		1,325,902,618.83	1,280,279,120.57	1,214,912,558.83
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,637,787,406.99	2,377,954,988.76	2,161,261,774.68

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	JIN Hui	WANG Minhui

Parent Company Balance Sheets

As at 31 December 2022
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XVI	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Current assets:				
Cash at bank and on hand		90,387,144.89	97,615,570.76	118,136,804.80
Financial assets held for trading				
Derivative financial assets				
Notes receivable				
Accounts receivable	(I)	48,279,992.16	43,073,020.07	50,259,010.93
Receivables financing				
Advances to suppliers		4,108,064.74	323,359.36	517,181.20
Other receivables	(II)	600,014,558.58	492,034,884.26	521,673,903.80
Inventories		10,260,922.80	8,646,145.40	10,374,364.51
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets		105,000.00	143,021.82	
Total current assets		753,155,683.17	641,836,001.67	700,961,265.24
Non-current assets:				
Debt investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	(III)	741,962,585.53	684,326,571.99	463,716,493.52
Investment in other equity instruments				
Other non-current financial assets		63,116,852.05	65,812,274.58	57,404,918.27
Investment properties				
Fixed assets		300,390,487.39	310,929,096.06	299,191,394.08
Construction in progress		311,600.00	782,356.00	3,144,166.60
Productive biological assets				
Oil and gas assets				
Right-of-use assets				
Intangible assets		24,714,804.16	22,647,559.78	22,383,643.33
Development expenditure				
Goodwill				
Long-term prepaid expenses		20,737,641.51	21,445,103.19	17,188,510.09
Deferred tax assets		15,529,248.15	7,461,193.69	5,074,386.92
Other non-current assets		7,506,300.00	7,086,000.00	556,900.00
Total non-current assets		1,174,269,518.79	1,120,490,155.29	868,660,412.81
TOTAL ASSETS		1,927,425,201.96	1,762,326,156.96	1,569,621,678.05

Parent Company Balance Sheets

As at 31 December 2022
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XVI	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Current liabilities:				
Short-term borrowings		195,000,000.00	251,050,000.00	310,000,000.00
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payable				
Accounts payable		20,689,401.73	13,161,555.37	34,954,083.13
Receipts in advance		3,299,924.90	2,011,708.12	
Contract liabilities				3,480,241.45
Employee benefits payable		18,740,841.95	17,876,433.39	15,629,765.62
Taxes payable		597,972.12	4,848,233.63	8,267,930.79
Other payables		49,473,505.95	74,941,835.88	27,298,927.14
Liabilities held for sale				
Non-current liabilities due within one year		91,487,500.00	3,000,000.00	
Other current liabilities				
Total current liabilities		379,289,146.65	366,889,766.39	399,630,948.13
Non-current liabilities:				
Long-term borrowings		284,750,000.00	200,950,000.00	38,000,000.00
Bonds payable				
Including: Preferred shares				
Perpetual bonds				
Lease liabilities				
Long-term payables		25,922,687.47		
Long-term employee benefits payable				
Provisions				
Deferred income		9,037,891.00	9,341,683.00	9,645,475.00
Deferred tax liabilities		2,291,279.89	2,853,156.89	1,607,648.32
Other non-current liabilities				
Total current liabilities		322,001,858.36	213,144,839.89	49,253,123.32
Total liabilities		701,291,005.01	580,034,606.28	448,884,071.45

Parent Company Balance Sheets

As at 31 December 2022
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XVI	December 31, 2022	December 31, 2021 (Restated)	January 1, 2021 (Restated)
Shareholders' equity:				
Share capital		74,600,300.00	74,600,300.00	74,600,300.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital surplus		871,230,628.64	854,317,490.93	834,138,174.86
Less: Treasury stock				23,311,143.84
Other comprehensive income				
Special reserves				
Surplus reserve		38,399,577.13	38,399,577.13	36,593,228.71
Retained earnings		241,903,691.18	214,974,182.62	198,717,046.87
Total shareholders' equity		1,226,134,196.95	1,182,291,550.68	1,120,737,606.60
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,927,425,201.96	1,762,326,156.96	1,569,621,678.05

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	JIN Hui	WANG Minhui

Consolidated Income Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period (Restated)
I. Total revenue		1,484,903,042.25	1,297,430,369.83
Including: Revenue	(XXXVII)	1,484,903,042.25	1,297,430,369.83
Interest income			
Premium income			
Fees and commissions income			
II. Total cost of sales		1,435,161,133.62	1,226,514,555.85
Including: Cost of sales	(XXXVII)	1,131,971,942.77	968,432,455.76
Interest expenses			
Fees and commissions expenses			
Surrenders			
Net claims expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Taxes and surcharges	(XXXVIII)	4,960,285.79	5,754,219.28
Selling and distribution expenses	(XXXIX)	15,004,027.73	10,335,392.65
General and administrative expenses	(XL)	205,887,172.40	176,371,888.82
Research and development expenses	(XLI)	33,027,987.79	27,962,173.39
Financial expenses	(XLII)	44,309,717.14	37,658,425.95
Including: Interest expenses		45,149,998.30	36,267,756.91
Interest income		2,761,765.05	1,691,366.88
Add: Other income	(XLIII)	14,907,710.81	13,619,635.06
Investment income (losses represented with "-" signs)	(XLIV)	2,850,458.27	6,937,845.27
Including: Investment income from associates and joint ventures		-15,926,847.45	-6,565,719.92
Derecognition income of financial assets measured at the amortized cost			
Foreign exchange gains (losses represented with "-" signs)			
Gains from net exposure hedges (losses represented with "-" signs)			
Gains from changes in fair value (losses represented with "-" signs)	(XLV)	-15,977,325.91	9,417,390.73
Credit impairment losses (losses represented with "-" signs)	(XLVI)	-25,191,541.19	-2,140,196.45
Asset impairment losses (losses represented with "-" signs)	(XLVII)	-10,345,460.56	-6,179,290.37
Gains from disposal of assets (losses represented with "-" signs)	(XLVIII)	406,184.95	-79,403.55
III. Operating profit (losses represented with" -" signs)		16,391,935.00	92,491,794.67
Add: Non-operating income	(XLIX)	8,553,977.86	11,835,931.80
Less: Non-operating expenses	(L)	9,341,038.73	8,636,583.42
IV. Total profit (total losses represented with" -" signs)		15,604,874.13	95,691,143.05
Less: Income tax expenses	(LI)	26,573,712.49	54,830,913.00

Consolidated Income Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period (Restated)

Parent Company Income Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note XVI	Amount for the current period	Amount for the previous period
I. Revenue	(IV)	343,141,450.63	369,798,306.12
Less: Cost of sales	(IV)	265,024,147.50	271,489,388.70
Taxes and surcharges		154,333.60	3,013,304.93
Selling and distribution expenses		1,692,773.94	3,068,742.71
General and administrative expenses		82,345,368.26	70,825,757.20
Research and development expenses		18,899,109.47	16,486,961.41
Financial expenses		16,480,521.45	5,650,976.01
Including: Interest expenses		26,568,676.00	19,722,968.32
Interest income		11,229,395.04	14,521,251.32
Add: Other income		6,245,933.48	5,326,738.38
Investment income (losses represented with "-" signs)	(V)	49,902,280.65	4,923,377.54
Including: Investment income from associates and joint ventures		-5,377,605.11	-3,485,811.81
Derecognition income of financial assets measured at the amortized cost			
Gains from net exposure hedges (losses represented with "-" signs)			
Gains from changes in fair value (losses represented with "-" signs)		-2,695,422.53	8,407,356.31
Credit impairment losses (losses represented with "-" signs)		-2,398,884.71	-1,973,004.61
Asset impairment losses (losses represented with "-" signs)			
Gains from disposal of assets (losses represented with "-" signs)		-8,958.01	
II. Operating profit (losses represented with "-" signs)		9,590,145.29	15,947,642.78
Add: Non-operating income		7,271,835.13	9,714,398.01
Less: Non-operating expenses		1,845,924.38	4,031,749.64
III. Total profit (total losses represented with "-" signs)		15,016,056.04	21,630,291.15
Less: Income tax expenses		-11,913,452.52	3,566,806.98
IV. Net profit (net losses represented with "-" signs)		26,929,508.56	18,063,484.17
(I) Net profit from continuing operations (net losses represented with "-" signs)		26,929,508.56	18,063,484.17
(II) Net profit from discontinued operations (net losses represented with "-" signs)			

Parent Company Income Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note XVI	Amount for the current period	Amount for the previous period
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit and loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value due to the enterprise's own credit risk			
(II) Other comprehensive income that can be reclassified to profit and loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
VI. Total comprehensive income		26,929,508.56	18,063,484.17
VII. Earnings per share:			
(I) Basic (RMB per share)			
(II) Diluted (RMB per share)			

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	JIN Hui	WANG Minhui

Consolidated Cash Flow Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,452,028,763.13	1,211,114,150.81
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in cash from repurchase business			
Net cash received from securities brokerage services			
Refund of taxes and levies			
Cash received relating to other operating activities	(LIV)	100,857,821.03	96,220,744.92
Sub-total of cash inflows of operating activities		1,552,886,584.16	1,307,334,895.73
Cash paid for goods and services		613,477,474.95	553,860,986.11
Net increase in customer loans and advances			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements with banks and other financial institutions			
Cash paid for interests, fees and commissions			
Cash paid for policyholders' dividends			
Cash paid to and on behalf of employees		525,082,523.24	425,383,922.44
Payments of taxes and surcharges		51,200,498.40	44,017,853.26
Cash paid relating to other operating activities	(LIV)	135,905,523.12	90,175,635.44
Sub-total of cash outflows of operating activities		1,325,666,019.71	1,113,438,397.25
Net cash flows from operating activities		227,220,564.45	193,896,498.48

Consolidated Cash Flow Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note V	Amount for the current period	Amount for the previous period
II. Cash flows from investing activities			
Cash received from disposal of investments			52,119,175.58
Cash received from returns on investments		1,650,804.41	7,777,189.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		24,100,366.61	8,755,311.37
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows of investing activities		25,751,171.02	68,651,676.30
Cash paid to acquire fixed assets, intangible assets and other long-term assets		236,910,178.88	178,536,614.68
Cash paid to acquire investments			48,600,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units		53,685,701.28	80,564,032.90
Cash paid relating to other investing activities	(LIV)	8,770,704.43	
Sub-total of cash outflows of investing activities		299,366,584.59	307,700,647.58
Net cash flows used in investing activities		-273,615,413.57	-239,048,971.28
III. Cash flows from financing activities			
Cash received from capital contributions		9,153,084.38	2,900,000.00
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		9,153,084.38	2,900,000.00
Cash received from borrowings		387,500,000.00	550,250,000.00
Cash received relating to other financing activities	(LIV)	151,420,250.00	
Sub-total of cash inflows of financing activities		548,073,334.38	553,150,000.00
Cash repayments of borrowings		324,220,000.00	428,342,970.00
Cash payments for distribution of dividends, profit or interest expenses		51,554,507.56	30,297,107.09
Including: Cash payments for distribution of dividends and profit by subsidiaries to noncontrolling shareholders			
Cash paid relating to other financing activities	(LIV)	56,121,295.37	60,676,565.61
Sub-total of cash outflows of financing activities		431,895,802.93	519,316,642.70
Net cash flows from financing activities		116,177,531.45	33,833,357.30
IV. Effect of foreign exchange rate changes on cash and cash equivalents		78,462.87	-38,704.15
V. Net increase in cash and cash equivalents		69,861,145.20	-11,357,819.65
Add: Cash and cash equivalents at the beginning of the period	(LV)	188,734,845.77	200,092,665.42
VI. Cash and cash equivalents at the end of the period	(LV)	258,595,990.97	188,734,845.77

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Cash Flow Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		336,363,866.37	367,674,455.38
Refund of taxes and levies			
Cash received relating to other operating activities		495,591,067.36	804,490,679.80
Sub-total of cash inflows of operating activities		831,954,933.73	1,172,165,135.18
Cash paid for goods and services		153,275,777.22	176,137,498.58
Cash paid to and on behalf of employees		147,419,578.70	141,102,134.39
Payments of taxes and surcharges		2,393,183.16	9,767,527.34
Cash paid relating to other operating activities		596,762,811.79	710,127,325.96
Sub-total of cash outflows of operating activities		899,851,350.87	1,037,134,486.27
Net cash flows from operating activities		-67,896,417.14	135,030,648.91
II. Cash flows from investing activities			
Cash received from disposal of investments		12,396,717.38	
Cash received from returns on investments		2,298,348.18	7,089,189.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		32,054.56	37,820.00
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows of investing activities		14,727,120.12	7,127,009.35
Cash paid to acquire fixed assets, intangible assets and other long-term assets		14,643,564.50	37,662,933.95
Cash paid to acquire investments		54,309,855.16	212,313,500.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows of investing activities		68,953,419.66	249,976,433.95
Net cash flows used in investing activities		-54,226,299.54	-242,849,424.60

Parent Company Cash Flow Statement

For the year 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Amount for the current period	Amount for the previous period
III. Cash flows from financing activities			
Cash received from capital contributions			
Cash received from borrowings		334,500,000.00	518,050,000.00
Cash received relating to other financing activities		120,000,000.00	
Sub-total of cash inflows of financing activities		454,500,000.00	518,050,000.00
Cash repayments of borrowings		306,750,000.00	411,050,000.00
Cash payments for distribution of dividends, profit or interest expenses		26,512,297.06	19,663,754.20
Cash paid relating to other financing activities		6,421,875.00	
Sub-total of cash outflows of financing activities		339,684,172.06	430,713,754.20
Net cash flows from financing activities		114,815,827.94	87,336,245.80
IV. Effect of foreign exchange rate changes on cash and cash equivalents		78,462.87	-38,704.15
V. Net increase in cash and cash equivalents		-7,228,425.87	-20,521,234.04
Add: Cash and cash equivalents at the beginning of the period		97,615,570.76	118,136,804.80
VI. Cash and cash equivalents at the end of the period		90,387,144.89	97,615,570.76

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	JIN Hui	WANG Minhui

Consolidated Statement of Changes in Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period													
	Equity attributable to owners of the parent company												Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
I. Balance as at the end of the previous year	74,600,300.00				838,165,395.59				38,399,577.13		257,098,624.31	1,208,263,897.03	72,015,223.54	1,280,279,120.57
Plus: Changes in accounting policies														
Correction of accounting errors in prior periods														
Business combinations under common control														
Others														
II. Balance as at the beginning of the current year	74,600,300.00				838,165,395.59				38,399,577.13		257,098,624.31	1,208,263,897.03	72,015,223.54	1,280,279,120.57
III. Increases/decreases in the current period ("-" for decreases)					16,913,137.71						-23,592,089.88	-6,678,952.17	52,302,450.43	45,623,498.26
(I) Total comprehensive income											-24,220,782.31	-24,220,782.31	13,251,943.95	-10,968,838.36
(II) Owner contribution and capital decrease					12,214,418.85							12,214,418.85	43,363,506.48	55,577,925.33
1. Common stock contributed by owners													43,363,506.48	43,363,506.48
2. Capital invested by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity					12,214,418.85							12,214,418.85		12,214,418.85
4. Others													-4,313,000.00	-4,313,000.00
(III) Distribution of profits														
1. Withdrawal of surplus reserves														
2. Withdrawal of provision for general risk														
3. Profit distributed to owners (or shareholders)													-4,313,000.00	-4,313,000.00
4. Others														

Consolidated Statement of Changes in Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period														
	Equity attributable to owners of the parent company														
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
		Preferred shares	Perpetual bonds	Others										
(IV) Internal carry-forward of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Carry-forward of changes in the defined benefit plan for retained earnings														
5. Carry-forward of other comprehensive income for retained earnings														
6. Others														
(V) Special reserves														
1. Withdrawal for the period														
2. Usage for the period														
(VI) Others					4,698,718.86						628,692.43	5,327,411.29		5,327,411.29
IV. Balance as at the end of the period	74,600,300.00				855,078,533.30				38,399,577.13		233,506,534.43	1,201,584,944.86	124,317,673.97	1,325,902,618.83

Consolidated Statement of Changes in Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period												
	Equity attributable to owners of the parent company											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	
I. Balance as at the end of the previous year	74,600,300.00				819,509,065.54	23,311,143.84			36,593,228.71		205,665,236.07	1,113,056,686.48	92,665,008.81	1,205,721,695.29
Plus: Changes in accounting policies														
Correction of accounting errors in prior periods											9,203,741.45	9,203,741.45		9,203,741.45
Business combinations under common control														
Others														
II. Balance as at the beginning of the current year	74,600,300.00				819,509,065.54	23,311,143.84			36,593,228.71		214,868,977.52	1,122,260,427.93	92,665,008.81	1,214,925,436.74
III. Increases/decreases in the current period ("–" for decreases)					18,656,330.05	-23,311,143.84			1,806,348.42		42,229,646.79	86,003,469.10	-20,649,783.27	65,353,683.83
(I) Total comprehensive income											44,035,995.21	44,035,995.21	-3,175,765.16	40,860,230.05
(II) Owner contribution and capital decrease					20,182,750.66							20,182,750.66	-17,474,020.11	2,708,730.55
1. Common stock contributed by owners					2,445,056.34							2,445,056.34	-17,474,020.11	-15,028,963.77
2. Capital invested by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity					17,737,694.32							17,737,694.32		17,737,694.32
4. Others														
(III) Distribution of profits									1,806,348.42		-1,806,348.42			
1. Withdrawal of surplus reserves									1,806,348.42		-1,806,348.42			
2. Withdrawal of provision														

Consolidated Statement of Changes in Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

	Amount for the previous period													
	Equity attributable to owners of the parent company													
		Other equity instruments												
Items	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
(IV) Internal carry-forward of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Carry-forward of changes in the defined benefit plan for retained earnings														
5. Carry-forward of other comprehensive income for retained earnings														
6. Others														
(V) Special reserves														
1. Withdrawal for the period														
2. Usage for the period														
(VI) Others					-1,526,420.61	-23,311,143.84						21,784,723.23		21,784,723.23
IV. Balance as at the end of the period	74,600,300.00				838,165,395.59				38,399,577.13		257,098,624.31	1,208,263,897.03	72,015,223.54	1,280,279,120.57

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Statement of Changes in Parent Company Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period										
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Balance as at the end of the previous year	74,600,300.00				854,317,490.93				38,399,577.13	214,974,182.62	1,182,291,550.68
Plus: Changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at the beginning of the current year	74,600,300.00				854,317,490.93				38,399,577.13	214,974,182.62	1,182,291,550.68
III. Increases/decreases in the current period ("–" for decreases)					16,913,137.71					26,929,508.56	43,842,646.27
(I) Total comprehensive income										26,929,508.56	26,929,508.56
(II) Owner contribution and capital decrease					12,214,418.85						12,214,418.85
1. Common stock contributed by owners											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity					12,214,418.85						12,214,418.85
4. Others											
(III) Distribution of profits											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal for the period											
2. Usage for the period											
(VI) Others					4,698,718.86						4,698,718.86
IV. Balance as at the end of the period	74,600,300.00				871,230,628.64				38,399,577.13	241,903,691.18	1,226,134,196.95

Statement of Changes in Parent Company Owners' Equity

For the year 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period										
		Other equity instruments									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
I. Balance as at the end of the previous year	74,600,300.00				834,138,174.86	23,311,143.84			36,593,228.71	193,286,602.86	1,115,307,162.59
Plus: Changes in accounting policies											
Correction of accounting errors in prior periods										5,430,444.01	5,430,444.01
Others											
II. Balance as at the beginning of the current year	74,600,300.00				834,138,174.86	23,311,143.84			36,593,228.71	198,717,046.87	1,120,737,606.60
III. Increases/decreases in the current period ("–" for decreases)					20,179,316.07	-23,311,143.84			1,806,348.42	16,257,135.75	61,553,944.08
(I) Total comprehensive income										18,063,484.17	18,063,484.17
(II) Owner contribution and capital decrease					20,182,750.66						20,182,750.66
1. Common stock contributed by owners					2,445,056.34						2,445,056.34
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity					17,737,694.32						17,737,694.32
4. Others											
(III) Distribution of profits									1,806,348.42	-1,806,348.42	
1. Withdrawal of surplus reserves									1,806,348.42	-1,806,348.42	
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal for the period											
2. Usage for the period											
(VI) Others					-3,434.59	-23,311,143.84					23,307,709.25
IV. Balance as at the end of the period	74,600,300.00				854,317,490.93				38,399,577.13	214,974,182.62	1,182,291,550.68

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

Legal representative: GUAN Weili

Principal in charge of accounting: JIN Hui

Head of accounting department: WANG Minhui

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

I. General information

(I) Company profile

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

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

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

As of December 31, 2022, the Company had issued a total of 74,600,300 shares with a registered capital of RMB74,600,300; the registered address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC, and the headquarters address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC. The principal operating activities of the Company are operating psychiatric hospitals and providing management services to hospitals. The actual controlling person of the Company is Guan Weili and his spouse Wang Lianyue.

The financial statements were authorised for issue by the Board of Directors of the Company on April 14, 2023.

(II) Scope of the consolidated financial statements

For details of subsidiaries of the Company, please refer to Note "VII. Interests in other entities".

For details of the scope and changes of the consolidated financial statements during the current period, please refer to Note "VI. Changes in scope of consolidation".

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

II. Basis of preparation of financial statements

(I) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, application guidance for the Accounting Standards for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereafter collectively referred to as the "Accounting Standards for Business Enterprises"). In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going concern

The financial statements are prepared on a going concern basis.

III. Significant accounting policies and accounting estimates

1. The Company shall follow the principle of importance in its preparation and disclosure of financial reports and determine the materiality in terms of both the nature and amount based on the actual conditions.

2. For the relevant transactions and matters that require professional judgment based on the principle of substance over form, the Company shall fully disclose the specific circumstances, the reasons and basis of the relevant professional judgment, and the specific accounting treatment related thereto.

3. The Company shall formulate specific accounting policies appropriate to the actual production and operation characteristics, and fully disclose the significant accounting policies and accounting estimates adopted during the Reporting Period. The specific accounting policies and accounting estimates formulated by the Company based on the actual production and operation characteristics shall be presented at the beginning of this section.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

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

The financial statements are in compliance with the Accounting Standards for Business Enterprises issued by Ministry of Finance, and truly and completely present the consolidated and the parent company's financial position of the Company as at December 31, 2022 and their financial performance and cash flows for 2022.

(II) Accounting period

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

(III) Operating cycle

The Company's operating cycle is 12 months.

(IV) Recording currency

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

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

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

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

(VI) Preparation of consolidated financial statements

1. Scope of consolidation

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

2. Consolidation procedure

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

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

(1) Increase of subsidiaries or business

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

(1) Increase of subsidiaries or business (continued)

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

(2) Disposal of subsidiaries

① General treatment methods

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VI) Preparation of consolidated financial statements (continued)

2. Consolidation procedure (continued)

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

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

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

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

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

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

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

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

(1) the assets held solely by the Company and those jointly held on a pro-rata basis;

(2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;

(3) the income generated from the sale of the products of the joint operation attributable to the Company;

(4) the income generated by the joint operation from the sale of products on a pro-rata basis;

(5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(VIII) Determination standards of cash and cash equivalents

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

(IX) Foreign currency transactions

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

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

(X) Financial instruments

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

1. Classification of financial instruments

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

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

— it is held within a business model whose objective is to hold assets to collect contractual cash flows;

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

1. Classification of financial instruments (continued)

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

2. Recognition basis and measurement method of financial instruments

(1) Financial assets at amortised cost

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

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

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

(6) Financial liabilities at amortised cost

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

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

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

3. Derecognition and transfer of financial assets

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

— The contractual right of collecting cash flows of financial assets is terminated;

— The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;

— The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

4. Derecognition of financial liabilities (continued)

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

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

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

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

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

6. Testing and accounting methods for impairment of financial assets

The Company estimates the expected credit losses of financial assets at amortised cost, financial assets (debt instruments) at fair value through other comprehensive income and financial guarantee contracts individually or in combination.

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

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

If the credit risk of the financial instrument has increased significantly since initial recognition, the Company measures the loss provision at an amount equal to lifetime expected credit losses of the financial instrument; if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company measures the loss provision at an amount equal to 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in profit or loss for the current period as impairment losses or gains.

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

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

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

For receivables and contract assets formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14 – Revenue (2017), whether contain significant financing components or otherwise, the Company always measures the loss provision at an amount equal to lifetime expected credit losses.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(X) Financial instruments (continued)

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

When the information of expected credit losses for individual financial assets are unable to be estimated at reasonable cost, the Company will classify accounts receivables into groupings based on their credit risk characteristics and calculate the expected credit losses by grouping, the basis for determining the groupings is as follows:

Accounts receivable grouping: Overdue days grouping
For accounts receivables classified as a grouping, the Company will refer to the historical credit loss experience, combined with the current conditions and the forecast of future economic conditions, to prepare a comparison table between the overdue days of accounts receivables and the overdue credit loss rate of the entire duration to calculate the overdue expected credit losses.

For other receivables, if the information of expected credit losses for individual financial assets are unable to be estimated at reasonable cost, the Company will classify them into groupings based on their credit risk characteristics and calculate the expected credit losses by grouping, the basis for determining the groupings is as follows:

Other receivables group 1: grouping of consolidated related parties
Other receivables group 2: grouping based on credit risk characteristics of aging
For other receivables classified into groupings, the Company will refer to historical credit loss experience, combined with the current conditions and the forecast of future economic conditions, to calculate the expected credit losses according to the exposure to breach of contract risk and the expected credit loss rate in the next 12 months or over the entire duration.

For lease receivables, the Company chooses to always measure the loss provision at an amount equal to lifetime expected credit losses.

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XI) Inventories

1. *Classification and cost of inventories*

Inventories are classified as turnover materials and goods on hand.

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

2. *Valuation method for inventory issued*

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

3. *Basis for determining net realisable values of different types of inventories*

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XI) Inventories (continued)

4. Inventory count system

Adopt the perpetual inventory system.

5. Amortization method of working capital materials

The one-time amortization method is used.

(XII) Contract assets

1. Recognition methods and standards of contract assets

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

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

For the determination and accounting treatment of expected credit loss of contract assets, please refer to the note 3 "(X) 6. Testing and accounting methods for impairment of financial assets" herein.

(XIII) Long-term equity investments

1. Criteria of joint control or significant influence

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

2. Determination of initial investment cost

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

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

3. Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIII) Long-term equity investments (continued)

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XIV) Fixed assets

1. Recognition and initial measurement of fixed assets

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

(1) it is probable that the economic benefits associated with the fixed assets will flow to the enterprises;

(2) the cost of the fixed assets can be reliably measured.

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

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

2. Depreciation methods

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

Notes to the Financial Statements
For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XIV) Fixed assets (continued)

2. Depreciation methods (continued)

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

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

3. Disposal of fixed assets

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

(XV) Construction in progress

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVI) Borrowing costs

1. Recognition criteria of capitalisation of borrowing costs

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

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

2. Capitalisation period for borrowing costs

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

Capitalisation shall start when the following conditions are satisfied simultaneously:

(1) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalisation, have already been incurred;

(2) Borrowing costs have already been incurred;

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

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

3. Capitalisation suspension period

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

Notes to the Financial Statements

For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XVI) Borrowing costs (continued)

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

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

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

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

(XVII) Intangible assets

1. Valuation method of intangible assets

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

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

(2) Subsequent measurement

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVII) Intangible assets (continued)

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

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

3. Specific criteria for classifying research and development phases

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XVII) Intangible assets (continued)

4. Criteria for capitalisation of development expenditures

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

(1) It is technically feasible to complete the intangible assets so that they can be used or sold;

(2) The Company has intention to complete the intangible assets and use or sell them;

(3) The way in which the intangible asset generates economic benefits, including the ability to prove the existence of a market for the products produced using the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it is to be used internally;

(4) The Company has sufficient technical, financial and other resources support to complete the development of the intangible assets, thereafter, has the ability to use it or sell it;

(5) The expenditure attributable to the development stage of the intangible assets can be reliably measured.

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

(XVIII) Impairment of long-term assets

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

Notes to the Financial Statements

For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

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

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

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

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

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

(XIX) Long-term prepaid expenses

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

(XX) Contract Liabilities

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXI) Employee benefits

1. Accounting treatment on short-term employee benefits

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

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

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

2. Accounting treatment on post-employment benefits

(1) Contribution plans

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXI) Employee benefits (continued)

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

(2) Defined benefit plans

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

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

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

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

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

3. Accounting treatment on termination benefits

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXII) Provisions

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

(1) the obligation is a present obligation of the Company;

(2) it is probable that an outflow of economic benefits from the Company will be required to settle the obligation;

(3) the amount of the obligation can be measured reliably.

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

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

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

Notes to the Financial Statements

For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XXIII) Share-based payments

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XXIII) Share-based payments (continued)

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

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

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

(XXIV) Revenue

1. Accounting policies adopted for revenue recognition and measurement

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

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

Notes to the Financial Statements

For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XXIV) Revenue (continued)

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

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

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

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

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

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For the year of 2022
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III. Significant accounting policies and accounting estimates (continued)

(XXIV) Revenue (continued)

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

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

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

(XXV) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXV) Contract costs (continued)

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

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

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

1. The remaining consideration expected to be obtained by the transfer of goods or services related to the asset;

2. The cost expected to be incurred for the transfer of the relevant goods or services.

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

(XXVI) Government grants

1. Types

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

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

2. Timing for recognition

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVI) Government grants (continued)

3. Accounting treatment

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

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

(XXVII) Deferred tax assets and deferred tax liabilities

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

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

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

The exceptions for not recognition of deferred tax assets and liabilities include:

- the initial recognition of the goodwill;
- transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

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

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

- When the taxable entity has the legal right to set off current tax assets and current tax liabilities on a net basis;

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

(XXVIII) Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

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

If the rent reduction or delay payment or other rental reductions of existing lease contracts arising from the COVID-19 pandemic, and the following conditions are fulfilled, the Company adopts simplified methods for all rental options, does not assess whether leasing changes occur, nor re-evaluates the classification of the lease:

- The lease consideration after the concession is reduced or basically unchanged compared with before, and the lease consideration is not discounted or discounted at the discount rate before the concession;

- After comprehensive consideration of qualitative and quantitative factors, it is determined that there is no significant change in other terms and conditions of the lease.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee

(1) Right-of-use assets

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(2) Lease liabilities

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

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

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

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(2) Lease liabilities (continued)

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

- when the assessment results of the purchase, extension or termination option change, or the actual exercise condition of the aforementioned options is inconsistent with the original assessment results, the Company remeasures the lease liabilities in accordance with the present value calculated based on the lease payments after changes and the revised discount rate;

- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the present value calculated based on the lease payments after changes and the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, a revised discount rate is used.

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(4) Lease change

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

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

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

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

(5) Rental concessions related to the COVID-19 pandemic

For simplified methods related to COVID-19 pandemic, the Company does not assess whether leasing changes occur, continues to calculate the interest cost of leased liabilities in accordance with the discount rate before concession and include it to profit or loss for the current period, and continues to depreciate the assets in accordance with the method before concession. In case of rent reduction, the Company will treat the reduced rent as the amount of variable lease payment. When the original rent payment obligation is relieved by reaching a concession agreement, the cost or expense of relevant assets will be offset according to the discount amount of the undiscounted or pre-concession discount rate, and the lease liabilities will be adjusted accordingly; if the payment of rent is delayed, the Company shall offset the lease liabilities recognized in the previous period at the time of actual payment.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

1. The Company as a lessee (continued)

(5) Rental concessions related to the COVID-19 pandemic (continued)

For short-term leases and leases of low value assets, the Company continues to include the original contract rent into the relevant asset costs or expenses in the same way as before the concession. In case of rent reduction, the Company will treat the reduced rent as the variable lease payment and offset the relevant asset costs or expenses during the reduction period; if the payment of rent is delayed, the Company recognizes the rent payable as payable in the original payment period and offsets the payable recognized in the previous period when it is actually paid.

2. The Company as a lessor

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

(1) Accounting treatment of operating leases

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

2. The Company as a lessor (continued)

(2) Accounting treatment of finance leases

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

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

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

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

- The change expands the scope of lease by adding the right to use one or more leased assets;
- The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

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

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

2. The Company as a lessor (continued)

(3) Rental concessions related to the COVID-19 pandemic

- For operating leases that adopt the simplified methods of rental concessions related to the COVID-19 pandemic, the Company continues to recognize the original contract rent as rental income in the same way as before the concession. In the event of a rental reduction, the reduced rental is treated as variable lease payments by the Company, and the rental income will be offset during the concession period; in the event of a deferred rental collection, rent collection is recognized as receivables by the Company during the original collection period, and the previously recognized receivables will be offset when the actual collection is made.

- For finance leases that adopt the simplified methods of rental concessions related to the COVID-19 pandemic, the Company continues to calculate the interest based on the discount rate consistent with that before the concession and recognize it as rental income. In the event of a rental reduction, the reduced rental will be treated as variable lease payments by the Company. When the rent collection right is waived, such as when a reduction agreement is reached, the amount discounted at the undiscounted or pre-reduction discount rate is offset against the originally recognized lease income, and the shortfall is credited to investment income, and the finance lease receivables are adjusted accordingly. In the event of a deferred rental collection, the previously recognized finance lease receivables will be offset when the actual collection is made.

3. Sale and leaseback transaction

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

(1) The Company as a lessee

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset's book value that relates to the right of use acquired by the lease back and recognizes a gain or loss related to the right transferred to the lessor only; if the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer proceeds. For details of the accounting treatment of financial liabilities, please refer to the Note "III (X) Financial instruments".

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXVIII) Lease (continued)

3. Sale and leaseback transaction (continued)

(2) The Company as a lessor

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

(XXIX) Segment report

The Company identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; and (3) for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(XXX) Significant accounting estimates and judgements

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

1. Estimation of variable consideration for revenue

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXX) Significant accounting estimates and judgements (continued)

2. Estimation of goodwill impairment provision

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

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

3. Estimation of recognition of deferred tax assets

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

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

In 2022, the variable consideration included in the Company's disposal of the relevant equity interest in Hangzhou Yining Hospital Co., Ltd. was determined as a financial liability for trading and the related fair value was assessed using the income approach, with the key assumptions used mainly including:

Items	Evaluation Parameters
Average number of beds in operation (beds)	180
Average consumption per bed day for inpatients (yuan/day)	570
Net profit margin on sales	10.79%
Capital expenditure (ten thousand yuan/year)	60
Discount rate	14.00%
Perpetual growth rate	2.50%

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

III. Significant accounting policies and accounting estimates (continued)

(XXXI) Changes in significant accounting policies and accounting estimates

In 2021, the Ministry of Finance issued the "Notice on Printing and Distributing the Interpretation of Enterprise Accounting Standards No. 15" In 2022 and 2023, the Ministry of Finance issued the "Notice on Printing and Distributing the Interpretation of Enterprise Accounting Standards No. 16" and the "Q&A on Implementation of Enterprise Accounting Standards." The Company has prepared the financial statements for the year ended 31 December 2022 in accordance with the implementation requirements and timing set out in the above-mentioned notices and Q&A. The revisions mentioned above have no significant impact on the Company's financial statements.

IV. Taxation

(I) Major tax categories and tax rates

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

Companies subject to different income tax rates are disclosed as follows

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

IV. Taxation (continued)

(II) Preferential tax treatment

1. Pursuant to the relevant requirements under the Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and its subsidiaries comply with the provisions of the Administrative Measures on Medical Institutions (Order of the State Council No. 149) issued by the State Council and the Implementation Measures of the Administrative Measures on Medical Institutions (Order of the Ministry of Health No. 35) issued by the Ministry of Health and the medical services provided by them are exempted from value-added tax upon the registration and obtaining the Medical Institution Practicing License (醫療機構執業許可證).

2. Pursuant to relevant tax regulations, during the reporting period, the revenue from judicial forensic services provided by the Wenzhou Kangning Judicial Forensic Centre, a subsidiary of the Company, shall be subject to VAT at the rate of 3%.

3. Pursuant to the Measures for the Implementation of the Pilot Plan for Levying VAT in Place of Business Tax under the Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, during the reporting period, the revenue from rendering of management and consultation services provided by the Company and its subsidiaries was subject to VAT at the rate of 6% or 3%.

4. On 16 December 2021, the Company obtained the Certificate of High and New Technology Enterprise (No. GR202133010023) issued by the Science and Technology Department of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company was subject to the enterprise income tax rate of 15% from 1 January 2021 to 31 December 2023.

5. On 1 December 2020, Zhejiang Jerinte Health Technology Co., Ltd., a subsidiary of the Company, obtained the Certificate of High and New Technology Enterprise (No. GR202033002789) issued by the Science and Technology Department of Zhejiang Province, with a term of validity of 3 years. Under Article 28 of the Enterprise Income Tax Law of the People's Republic of China, the Company was subject to the enterprise income tax rate of 15% from 1 January 2020 to 31 December 2022.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements

(I) Cash at bank and on hand

Items	Balance as at the end of the period	Balance as at the end of the previous year
Cash on hand	454,907.26	971,773.72
Cash at bank	257,534,338.59	187,484,938.31
Other cash balances	13,105,717.12	278,133.74
Total	271,094,962.97	188,734,845.77

The monetary funds restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Items	Balance as at the end of the period	Balance as at the end of the previous year
Bank acceptance deposit	498,972.00	
Performance bond	12,000,000.00	
Total	12,498,972.00	

(II) Financial assets held for trading

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial assets at fair value through profit or loss	10,641,026.00	10,000,000.00
Including: Investment in equity instruments	10,641,026.00	10,000,000.00
Total	10,641,026.00	10,000,000.00

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable

1. Aging disclosure of accounts receivable by date of entry

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	388,961,193.05	303,910,574.15
1 – 2 years	4,755,919.87	9,812,859.20
2 – 3 years	3,941,367.25	4,259,870.27
Over 3 years	5,180,894.08	3,140,407.07
Sub-total	402,839,374.25	321,123,710.69
Less: Provision for bad debts	20,002,683.36	9,365,835.23
Total	382,836,690.89	311,757,875.46

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

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

	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion of proportion (%)	Book value
Provision for bad debts on the individual basis	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22	7,247,978.61	2.26	4,590,286.39	63.33	2,657,692.22
Including:										
Medical fees due from patients	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22	7,247,978.61	50.00	4,590,286.39	63.33	2,657,692.22
Provision for bad debts on the grouping basis	384,617,398.37	95.48	7,488,540.70							

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

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

Provision for bad debts on the individual basis:

		Balance as at the end of the period		
Items	Book balance	Provision for bad debts	Proportion of provision (%)	Reason
Medical fees due from patients	18,221,975.88	12,514,142.66	68.68	provision for bad debts based on Lifetime ECL
Total	18,221,975.88	12,514,142.66	/	

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

Provision for bad debts on the grouping basis:

	Balance as at the end of the period		
Items	Accounts receivable	Provision for bad debt	Proportion of provision (%)
Overdue days grouping	384,617,398.37	7,488,540.70	1.95
Total	384,617,398.37	7,488,540.70	

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(III) Accounts receivable (continued)

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

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		withdraw	Recovered or reversed	Written-back or written-off	
Provision for bad debts on the individual basis	4,590,286.39	8,289,230.88		365,374.61	12,514,142.66
Provision for bad debts on the grouping basis	4,775,548.84	3,379,914.39		666,922.53	7,488,540.70
Total	9,365,835.23	11,669,145.27		1,032,297.14	20,002,683.36

4. Accounts receivable written off in the current period

Items	Amount written-off
Accounts receivable written off	365,374.61

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(IV) Advances to suppliers

1. Advances to suppliers presented by aging

Aging	Balance as at the end of the period		Balance as at the end of the previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	29,973,748.69	93.08	11,751,451.87	99.11
1 – 2 years	2,127,484.58	6.61	58,511.20	0.49
2 – 3 years	56,690.70	0.18	24,163.99	0.20
Over 3 years	43,300.00	0.13	24,300.00	0.20
Total	32,201,223.97	100.00	11,858,427.06	100.00

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest receivable		
Dividend receivable		
Other receivables	37,195,219.68	29,925,487.99
Total	37,195,219.68	29,925,487.99

(1) Other receivables disclosed by aging

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	31,752,956.09	20,470,501.76
1 – 2 years	12,384,779.19	4,096,700.18
2 – 3 years	4,035,447.86	838,693.49
3 – 4 years	1,755,508.40	2,814,221.11
4 – 5 years	101,363.87	1,452,266.68
Over 5 years	3,877,306.68	2,930,000.00
Subtotal	53,907,362.09	32,602,383.22
Less: Provision for bad debts	16,712,142.41	2,676,895.23
Total	37,195,219.68	29,925,487.99

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

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

	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts on the individual basis	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29	1,435,560.00	4.40	1,435,560.00	100.00	
Including:										
Headquarters of the Urban Construction and Comprehensive Development of Aojiang Town, Pingyang County						1,435,560.00	100.00	1,435,560.00	100.00	
Hangzhou Yining Hospital Co.,Ltd.	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29					
Provision for bad debts on the grouping basis	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39	31,166,823.22	95.60	1,241,335.23	3.98	29,925,487.99
Including:										
Portfolio of aging credit risk	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39	31,166,823.22	95.60	1,241,335.23	3.98	29,925,487.99
Total	53,907,362.09	100.00	16,712,142.41		37,195,219.68	32,602,383.22	100.00	2,676,895.23		29,925,487.99

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

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

Provision for bad debts on the individual basis:

Name	Book value	Balance as at the end of the period Provision for bad debts	Proportion of provision (%)	Reason for the provision
Hangzhou Yining Hospital Co.,Ltd.	25,337,819.20	15,852,030.91	62.56	The allowance for losses is measured against expected credit loss in the whole duration
Total	25,337,819.20	15,852,030.91		

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

Provision for bad debts on the grouping basis:

Name	Balance as at the end of the period Other receivables	Provision for bad debts	Proportion of provision (%)
Portfolio of aging credit risk	28,569,542.89	860,111.50	3.01
Total	28,569,542.89	860,111.50	

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

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

(3) Details of provision for bad debts

Provision for bad debts	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at the end of the previous year	1,241,335.23		1,435,560.00	2,676,895.23
Balance as at the end of the previous year that transferred/reversed in the current period				
—Transferred to stage 2				
—Transferred to stage 3				
—Reversed to stage 2				
—Reversed to stage 1				
Provision for the current period	141,793.04		15,852,030.91	15,993,823.95
Reversal in the current period	485,492.80		1,435,560.00	1,921,052.80
Written back in the current period	37,523.97			37,523.97
Written off in the current period				
Other changes				
Balance as at the end of the period	860,111.50		15,852,030.91	16,712,142.41

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

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

Changes in book value of other receivables:

Book value	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit-impaired)	Total
Balance as at the end of the previous year	31,166,823.22		1,435,560.00	32,602,383.22
Balance as at the end of the previous year that transferred/reversed in the current period				
—Transferred to stage 2				
—Transferred to stage 3				
—Reversed to stage 2				
—Reversed to stage 1				
Addition for the current period	2,428,909.82		25,337,819.20	27,766,729.02
Derecognized in the current period	4,306,570.80		1,435,560.00	5,742,130.80
Other changes	-719,619.35			-719,619.35
Balance as at the end of the period	28,569,542.89		25,337,819.20	53,907,362.09

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

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

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		withdraw	Recovered or reversed	Written-back or written-off	
Provision for bad debts on the individual basis	1,435,560.00	15,852,030.91	1,435,560.00		15,852,030.91
Provision for bad debts on the grouping basis	1,241,335.23	141,793.04	485,492.80	37,523.97	860,111.50
Total	2,676,895.23	15,993,823.95	1,921,052.80	37,523.97	16,712,142.41

Of which, significant amount of reversal or recovery of provision for bad debts in the current period:

Names	Recovered or reversed	Determine the basis and rationality of provision for original bad debts	Reason for reversal or recovery	Recovery method
Headquarters of the Urban Construction and Comprehensive Development of Aojiang Town, Pingyang County	1,435,560.00	Formed before the date of subsidiaries purchase	Recovery of funds	Monetary capital
Total	1,435,560.00			

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(V) Other receivables (continued)

(5) Other receivables written off in the current period

Item	Amount written-off
Other receivables actually written off	37,523.97

(6) Other receivables by nature

Nature of receivables	Balance as at the end of the period	Balance as at the end of the previous year
Deposit and guarantee	20,677,631.31	23,577,997.61
Placements	816,666.30	4,228,330.66
Advances	2,388,682.68	1,435,560.00
Amounts due from related parties	26,559,018.86	12,877.91
Others	3,465,362.94	3,347,617.04
Total	53,907,362.09	32,602,383.22

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(VI) Inventories

Items	Balance as at the end of the period Book balance	Provision for decline in the value of inventories/ impairment provision for contract performance costs	Book value	Balance as at the end of the previous year Book balance	Provision for decline in the value of inventories/ impairment provision for contract performance costs	Book value
Turnover materials	3,697,607.74		3,697,607.74	2,242,027.51		2,242,027.51
Commodity stocks	54,633,789.63		54,633,789.63	54,277,273.72		54,277,273.72
Total	58,331,397.37		58,331,397.37	56,519,301.23		56,519,301.23

(VII) Other current assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Input tax to be deducted	196,008.48	137,228.50
Prepaid corporate income tax	269,072.88	321,191.35
Prepaid expenses	287,243.41	348,266.00
Total	752,324.77	806,685.85

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(VIII) Long term receivables

	Balance as at the end of the period			Balance as at the end of the previous year			
Items	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	Discount rate range
Equity transfer receivable	14,000,000.00		14,000,000.00				
Total	14,000,000.00		14,000,000.00				

(IX) Long-term equity investment

		Increase or decrease in the current period									
Investees	Balance as at the end of the previous year	Increase in investment	Decrease in investment	Investment profit/ loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Cash dividends or profits declared and paid	Impairment provision	Others	Balance as at the end of the period	Balance of the impairment provision as at the end of the period
Associates											
Hangzhou Anken Medical Technology Co., Ltd.	13,156,356.09			-4,287,457.64		5,310,451.69				14,179,350.14	
Wenzhou Longwan Yining Hospital Co., Ltd.	58,100,000.00		500,000.00							57,600,000.00	
Zhejiang Huangfeng Hospital Management Co., Ltd.		22,193,790.14		-1,090,147.47						21,103,642.67	
Shanxi Shanda Hospital Management Consulting Co., Ltd.	23,198,356.89			-1,102,416.10						22,095,940.79	
Chongqing Hechuan Kangning Hospital Co., Ltd.	18,687,211.65			74,969.38			400,000.00			18,362,181.03	
Chengdu Yining Hospital Co., Ltd.	11,514,784.92			-1,309,653.45						10,205,131.47	
Jingyun Shuning Hospital Co., Ltd.	5,191,069.69								5,191,069.69		
Hangzhou Yining Hospital Co., Ltd. *(Note)*											
Total	129,847,779.24	22,193,790.14	500,000.00	-7,714,705.28		5,310,451.69	400,000.00		5,191,069.69	143,546,246.10	

Note: On 10 August 2022, Zhejiang Kangning Hospital Management (Group) Co., Ltd. (hereinafter referred to as "Zhejiang Kangning"), a subsidiary of the Company, transferred its 28% equity interest in Hangzhou Yining Hospital Co., Ltd. (hereinafter referred to as "Hangzhou Yining"), which it held, to Tongxiang Wuzhen Lianxin Lianyi Health Management Co., Ltd. (hereinafter referred to as "Lianxin Lianyi") for a consideration of RMB14,000,000.00, according to the Shareholders' Agreement signed with Chongqing Jinpu Health Care Service Industry Equity Investment Fund Partnership (L.P.), Chongqing Jinpu Phase II Medical Health Service Industry Equity Investment Fund Partnership (L.P.), and Tongxiang Wuzhen Lianxin Lianyi Health Management Co., Ltd., and if Lianxin Lianyi accomplish its performance commitment during the performance commitment period, it will not have to pay the above-mentioned consideration, and the fair value of the contingent consideration of RMB13,922,929.38 recognized after valuation will be accounted for as a financial liability for trading. Upon completion of the equity transaction, Zhejiang Kangning's shareholding in Hangzhou Yining decreased to 33% and lost control over Hangzhou Yining. By the time of such loss of control, the net assets of Hangzhou Yining had become negative and the excessive loss accounted under the equity method of RMB8,212,142.17 offset the Company's other receivables from Hangzhou Yining accordingly.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(X) Other non-current financial assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial assets at fair value through current profit or loss	63,116,852.05	65,812,274.58
Including: Investments in equity instruments	63,116,852.05	65,812,274.58
Total	63,116,852.05	65,812,274.58

(XI) Fixed assets

1. Fixed assets and disposal of fixed assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Fixed assets	695,020,440.79	721,846,771.52
Disposal of fixed assets		
Total	695,020,440.79	721,846,771.52

V. Notes to the consolidated financial statements (continued)

(XI) Fixed assets (continued)

2. Details of fixed assets

Items	Buildings and structure	Medical equipment	Motor vehicles	Electronic and other equipment	Fixed assets leased under sale-leaseback and finance leases	Total
1. Original carrying values						
(1) Balance as at the end of the previous year	745,833,959.90	142,218,120.78	6,548,724.87	68,038,620.62		962,639,426.17
(2) Increase in the current period	811,977.80	25,247,491.51	6,016,909.41	9,508,145.59	140,027,233.85	181,611,758.16
– Purchase	811,977.80	14,854,645.52	2,906,555.91	5,748,234.46		24,321,413.69
– Transferred from construction in progress						
– Increase in business combination		10,392,845.99	3,110,353.50	3,759,911.13		17,263,110.62
– Others					140,027,233.85	140,027,233.85
(3) Decrease in the current period	70,270,990.67	65,654,865.68	3,162,440.49	25,386,159.55		164,474,456.39
– Disposed or retired		12,438,192.49	658,984.47	3,310,725.18		16,407,902.14
– Disposal of subsidiaries		5,259,711.00	565,764.12	2,213,845.28		
– Other transfer out	70,270,990.67	47,956,962.19	1,937,691.90	19,861,589.09		140,027,233.85
(4) Balance as at the end of the period	676,374,947.03	101,810,746.61	9,403,193.79	52,160,606.66	140,027,233.85	979,776,727.94

V. Notes to the consolidated financial statements (continued)

(XI) Fixed assets (continued)

2. Details of fixed assets (continued)

Items	Buildings and structure	Medical equipment	Motor vehicles	Electronic and other equipment	Fixed assets leased under sale-leaseback and finance leases	Total
2. Accumulated depreciation						
(1) Balance as at the end of the previous year	97,583,529.57	93,448,930.55	2,620,876.20	47,139,318.33		240,792,654.65
(2) Increase in the current period	21,780,272.36	23,765,333.80	3,918,211.31	9,282,744.01	66,620,984.90	125,367,546.38
– Provision	21,780,272.36	21,259,481.17	1,035,359.81	8,378,127.80	576,543.93	53,029,785.07
– Increase from business combinations		2,505,852.63	2,882,851.50	904,616.21		6,293,320.34
– Others					66,044,440.97	66,044,440.97
(3) Decrease in the current period	12,029,010.56	48,647,077.77	1,557,788.21	19,170,037.34		81,403,913.88
– Disposed or retired		6,650,418.76	620,766.50	1,300,387.75		8,571,573.01
– Disposal of subsidiaries	1,654,288.20	3,475,806.87	214,904.65	1,442,900.18		
– Other transfer out	10,374,722.36	38,520,852.14	722,117.06	16,426,749.41		66,044,440.97
(4) Balance as at the end of the period	107,334,791.37	68,567,186.58	4,981,299.30	37,252,025.00	66,620,984.90	284,756,287.15
3. Impairment provision						
(1) Balance as at the end of the previous year						
(2) Increase in the current period						
(3) Decrease in the current period						
(4) Balance as at the end of the period						
4. Carrying amount						
(1) Carrying amount as at the end of the period	569,040,155.66	33,243,560.03	4,421,894.49	14,908,581.66	73,406,248.95	695,020,440.79
(2) Carrying amount as at the end of the previous year	648,250,430.33	48,769,190.23	3,927,848.67	20,899,302.29		721,846,771.52

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XII) Construction in progress

1. Construction in progress and construction material

Items	Balance as at the end of the period	Balance as at the end of the previous year
Construction in progress	152,497,399.68	43,795,718.15
Construction material		
Total	152,497,399.68	43,795,718.15

2. Details of construction in progress

	Balance as at the end of the period			Balance as at the end of the previous year		
Items	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Wenzhou Kangning Training Center and other projects	311,600.00		311,600.00	782,356.00		782,356.00
The decoration project of Nanjing Yining Hospital				1,027,373.54		1,027,373.54
The decoration project of Lucheng Yining Hospital	72,377,326.40		72,377,326.40	6,213,670.10		6,213,670.10
The decoration project of Pingyang Changgeng Hospital				7,504,860.00		7,504,860.00
The decoration project of Ouhai Yining Hospital				27,288,058.64		27,288,058.64
The renovation and expansion project of Linhai Cining Hospital	27,536,449.81		27,536,449.81	150,609.00		150,609.00
The renovation and expansion project of Quzhou Yining Hospital	16,073,697.42		16,073,697.42			
The renovation and expansion project of Jinyun Shuning Hospital	35,508,167.99		35,508,167.99			
Other minor decoration	690,158.06		690,158.06	828,790.87		828,790.87
Total	152,497,399.68		152,497,399.68	43,795,718.15		43,795,718.15

V. Notes to the consolidated financial statements (continued)

(XII) Construction in progress (continued)

3. Movements in important construction in progress for the current period

Project name	Budget RMB'0,000	Balance as at the end of the previous year	Increase in the current period	Transfer to fixed assets in the current period	Decrease in the current period	Balance as at the end of the period	cumulative investment in the construction project as a percentage of the budget (%)	Progress of construction (%)	Accumulated amount of capitalized interest	Including: Interest capitalised in the current period	Capitalisation rate of interest in the current period (%)	Source of fund
The decoration project of Lucheng Yining Hospital	18,003.00	6,213,670.10	66,247,515.67			72,461,185.77	40.25	40.00	1,883,479.17	1,608,608.70	4.90	Borrowings
The decoration project of Pingyang Changgeng Hospital	1,897.75	7,504,860.00	17,107,073.00		24,611,933.00		100.00	100.00				Own funds
The decoration project of Ouhai Yining Hospital	4,047.80	27,288,058.64	11,021,953.76		38,310,012.40		100.00	100.00				Own funds
The renovation and expansion project of Linhai Cining Hospital	16,020.00	150,609.00	27,385,840.81			27,536,449.81	17.19	20.00				Own funds
The renovation and expansion project of Quzhou Yining Hospital	9,848.00		16,073,697.42			16,073,697.42	16.32	15.00				Own funds
The renovation and expansion project of Jinyun shuning Hospital	6,666.00		35,508,167.99			35,508,167.99	54.15	55.00				Own funds
Total		41,157,197.74	173,344,248.65		62,921,945.40	151,579,500.99			1,883,479.17	1,608,608.70		

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XIII) Right-of-use assets

Items	Buildings and structure	Total
1.Original carrying value		
(1)Balance as at the end of the previous year	363,270,419.51	363,270,419.51
(2)Increase in the current period	37,254,480.17	37,254,480.17
– New leases	21,847,297.56	21,847,297.56
– Increase from business combinations	15,407,182.61	15,407,182.61
(3)Decrease in the current period	81,876,743.78	81,876,743.78
– Disposal	16,772,968.78	16,772,968.78
– Disposal of subsidiaries	65,103,775.00	65,103,775.00
(4)Balance as at the end of the period	318,648,155.90	318,648,155.90
2.Accumulated depreciation		
(1)Balance as at the end of the previous year	105,858,149.38	105,858,149.38
(2)Increase in the current period	38,189,335.84	38,189,335.84
– Provision	38,189,335.84	38,189,335.84
(3)Decrease in the current period	15,803,080.90	15,803,080.90
– Disposal	4,949,246.94	4,949,246.94
– Disposal of subsidiaries	10,853,833.96	10,853,833.96
(4)Balance as at the end of the period	128,244,404.32	128,244,404.32
3.Impairment provision		
(1)Balance as at the end of the previous year		
(2)Increase in the current period		
(3)Decrease in the current period		
(4)Balance as at the end of the period		
4.Carrying amount		
(1)Carrying amount as at the end of the period	190,403,751.58	190,403,751.58
(2)Carrying amount as at the end of the previous year	257,412,270.13	257,412,270.13

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XIV) Intangible assets

Items	Land use rights	Trademark rights	Software	Medical practice qualifications	Contractual rights to provide management service	Total
1.Original carrying value						
(1)Balance as at the end of the previous year	102,977,820.17	3,061,637.13	14,252,889.08	129,837,000.00	32,400,000.00	282,529,346.38
(2)Increase in the current period	25,616,355.88		-3,433,306.28	29,000,000.00		51,183,049.60
– Purchase	19,841,690.88		-4,460,006.28			15,381,684.60
– Increase from business combinations	5,774,665.00		1,026,700.00	29,000,000.00		35,801,365.00
(3)Decrease in the current period			1,141,970.00			1,141,970.00
– Disposal			508,000.00			508,000.00
– Disposal of subsidiaries			633,970.00			633,970.00
(4)Balance as at the end of the period	128,594,176.05	3,061,637.13	9,677,612.80	158,837,000.00	32,400,000.00	332,570,425.98
2.Accumulated depreciation						
(1)Balance as at the end of the previous year	9,610,253.66	360,120.18	9,441,245.79	27,772,369.86	7,353,571.43	54,537,560.92
(2)Increase in the current period	2,889,207.41	330,465.48	1,799,113.48	17,315,075.42	1,500,000.00	23,833,861.79
– Provision	2,889,207.41	330,465.48	1,072,248.57	17,315,075.42	1,500,000.00	23,106,996.88
– Increase from business combinations			726,864.91			726,864.91
(3)Decrease in the current period			485,345.23			485,345.23
– Disposal			39,066.67			39,066.67
– Disposal of subsidiaries			446,278.56			446,278.56
(4)Balance as at the end of the period	12,499,461.07	690,585.66	10,755,014.04	45,087,445.28	8,853,571.43	77,886,077.48
3.Impairment provision						
(1)Balance as at the end of the previous year						
(2)Increase in the current period						
(3)Decrease in the current period						
(4)Balance as at the end of the period						
4.Carrying amount						
(1)Carrying amount as at the end of the period	116,094,714.98	2,371,051.47	-1,077,401.24	113,749,554.72	23,546,428.57	254,684,348.50
(2)Carrying amount as at the end of the previous year	93,367,566.51	2,701,516.95	4,811,643.29	102,064,630.14	25,046,428.57	227,991,785.46

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill

1. *Changes in goodwill*

Name of the investees	Balance as at the end of the previous year	Increase in the current period: Arising from business combinations	Increase in the current period: Others	Decrease in the current period: Disposal	Decrease in the current period: Others	Balance as at the end of the period
Original carrying amount						
Nanjing Yining Hospital Co., Ltd.	9,271,800.00					9,271,800.00
Heze Yining Psychiatric Hospital Co., Ltd.	690,331.47					690,331.47
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	7,784,850.00					7,784,850.00
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Wenzhou Yixin Health Technology Co., Ltd.	151,048.40					151,048.40
Huainan Kangning Hospital Co., Ltd.	5,068,959.78					5,068,959.78
Changchun Kanglin Psychological Hospital Co., Ltd.	6,843,288.91					6,843,288.91
Wenzhou Cining Hospital Co., Ltd.	19,416,285.97					19,416,285.97
Chun'an Kangning Huangfeng Hospital Co., Ltd.	13,448,537.66			13,448,537.66		
Pingyang Changgeng Yining Hospital Co., Ltd.	51,770,194.67					51,770,194.67
Pujiang Yining Huangfeng Hospital Co., Ltd.	9,677,976.76			9,677,976.76		
Hangzhou Yining Nursery Service Co., Ltd.	1,272,643.00					1,272,643.00
Zhejiang Fengsheng Nutrition Technology Co., Ltd.		326,012.44				326,012.44
Jinyun Shuning Hospital Co., Ltd.		5,060,323.85				5,060,323.85
Sub-total	149,932,270.04	5,386,336.29		23,126,514.42		132,192,091.91
Provision for impairment						
Beijing Yining Hospital Co., Ltd.	12,641,870.48	10,345,460.56				22,987,331.04
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Sub-total	14,190,892.86	10,345,460.56				24,536,353.42
Carrying amount	135,741,377.18	-4,959,124.27		23,126,514.42		107,655,738.49

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill (continued)

2. Information about the asset groups or groups of asset groups to which the goodwill belongs

All goodwill of the Company has been allocated to the related asset groups or groups of asset groups on the day of purchase, which is summarised as follows:

Unit: RMB'0,000

Asset groups or groups of asset groups	31 December 2022
Nanjing Yining Hospital Co., Ltd.	927.18
Heze Yining Psychiatric Hospital Co., Ltd.	69.03
Guanxian Yining Hospital Co., Ltd.	154.90
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	778.49
Beijing Yining Hospital Co., Ltd.	2,298.73
Wenzhou Yixin Health Technology Co., Ltd.	15.11
Huainan Kangning Hospital Co., Ltd.	506.9
Changchun Kanglin Psychological Hospital Co., Ltd.	684.33
Wenzhou Cining Hospital Co., Ltd.	1,941.63
Pingyang Changgeng Yining Hospital Co., Ltd.	5,177.02
Hangzhou Yining Nursery Service Co., Ltd.	127.26
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	32.60
Jinyun Shuning Hospital Co., Ltd.	506.03
Total	13,219.21

In conducting the impairment test of goodwill, the Company compares the carrying amount of the related asset groups or groups of asset groups (including goodwill) with the recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be recognised in profit or loss for the current period.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill (continued)

3. Process of goodwill impairment test, key parameters and the recognition method of goodwill impairment loss

	Key parameters of goodwill impairment test				
Asset groups or groups of asset groups	Average number of beds in operation	Average in-patient spending per day per bed (bed/day/yuan)	Perpetuity growth rate	Net profit margin on sales	Pre-tax discount rate
Nanjing Yining Hospital Co., Ltd.	219	337	2.50%	21.33%	14.00%
Heze Yining Psychiatric Hospital Co., Ltd.	267	289	2.50%	20.60%	14.00%
Guanxian Yining Hospital Co., Ltd.					
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	323	291	2.50%	22.06%	14.00%
Beijing Yining Hospital Co., Ltd.	32	1,810	2.50%	-2.40%	14.00%
Wenzhou Yixin Health Technology Co., Ltd.					
Huainan Kangning Hospital Co., Ltd.	211	196	2.50%	16.94%	14.00%
Changchun Kanglin Psychological Hospital Co., Ltd.	315	205	2.50%	17.48%	14.00%
Wenzhou Cining Hospital Co., Ltd.	325	546	2.50%	9.59%	14.00%
Chun'an Kangning Huangfeng Hospital Co., Ltd.	213	400	2.50%	19.01%	14.00%
Pingyang Changgeng Yining Hospital Co., Ltd.	425	594	2.50%	6.71%	14.00%
Pujiang Yining Huangfeng Hospital Co., Ltd.	270	273	2.50%	15.82%	14.00%
Hangzhou Yining Nursery Service Co., Ltd.	72	117	2.50%	21.92%	14.00%
Jinyun Shuning Hospital Co., Ltd.	382	284	2.50%	22.65%	14.00%

Other explanation:

Average number of beds in operation refers to the annual average number of beds used during the forecast period; average in-patient spending per day per bed refers to average daily spending amount per bed during the forecast period.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XV) Goodwill (continued)

4. Impact of goodwill impairment test

In 2022, due to the continuing impact of prevention and control measures of COVID-19, the business volume of Beijing Yining Hospital Co., Ltd. had declined. During the impairment test, the Company adopted the present value of estimated future cash flows to determine the recoverable amount, and made a provision for such impairment of RMB10,345,460.56 in total.

(XVI) Long-term prepaid expenses

Items	Balance as at the end of the previous year	Increase in the current period	Amortisation in the current period	Other decrease	Balance as at the end of the period
Renovation expenses	150,328,412.40	100,049,601.67	46,186,845.31	14,777,100.83	189,414,067.93
Lease expenses	172,625.00	94,613.90	94,967.96		172,270.94
Total	150,501,037.40	100,144,215.57	46,281,813.27	14,777,100.83	189,586,338.87

(XVII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets before offsetting

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for assets impairment	16,979,155.87	3,164,380.59	8,026,079.93	1,687,621.09
Unrealized profit from internal transaction				
Deductible losses	50,169,236.15	8,217,114.53	18,012,806.84	4,503,201.71
Depreciation and amortization	4,390,510.38	1,097,627.60	4,653,187.96	1,163,296.99
Share-based payment	54,688,502.33	8,203,275.35	46,552,302.33	6,982,845.35
Total	126,227,404.73	20,682,398.07	77,244,377.06	14,336,965.14

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

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

2. Deferred tax liabilities before offsetting

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation of assets revalued in business combination involving enterprise not under common control	148,564,631.76	37,141,157.94	144,340,394.12	36,085,098.53
Changes in fair value of other equity instrument investments	13,116,852.07	1,967,527.81	15,812,274.60	2,371,841.19
One-off deduction for fixed assets	6,620,111.12	1,439,193.06	6,958,909.45	1,418,850.23
Total	168,301,594.95	40,547,878.81	167,111,578.17	39,875,789.95

(XVIII) Other non-current assets

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Prepayments for equity investments	6,936,000.00		6,936,000.00	6,936,000.00		6,936,000.00
Prepayments for building and equipment	6,605,047.21		6,605,047.21	130,386.60		130,386.60
Time deposits				14,000,000.00		14,000,000.00
Total	13,541,047.21		13,541,047.21	21,066,386.60		21,066,386.60

(XIX) Short-term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year
Secured borrowings	195,000,000.00	200,000,000.00
Guaranteed borrowings	8,000,000.00	54,050,000.00
Total	203,000,000.00	254,050,000.00

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XX) Financial liabilities held for trading

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Financial liabilities held for trading		13,922,929.38		13,922,929.38
Total		13,922,929.38		13,922,929.38

(XXI) Notes payable

Type	Balance as at the end of the period	Balance as at the end of the previous year
Bank acceptance bills	997,944.00	
Total	997,944.00	

(XXII) Accounts payable

The aging analysis of accounts payable by their date of entry is as follows:

Age	Closing balance	Balance at the end of previous year
Within 1 year	84,193,738.77	55,761,620.69
1-2 years	1,161,389.02	2,767,905.77
2-3 years	71,968.47	168,509.77
Over 3 years	345,965.27	287,110.78
Total	85,773,061.53	58,985,147.01

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXIII) Advances

Items	Balance as at the end of the period	Balance as at the end of the previous year
Advances from goods and services	29,436,207.46	16,275,602.70
Rental in advance	458,629.04	
Total	29,894,836.50	16,275,602.70

(XXIV) Contract liabilities

Items	Balance as at the end of the period	Balance as at the end of the previous year
Advances from goods and services		3,240.59
Total		3,240.59

(XXV) Employee benefits payable

1. List of employee benefits payable

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Short-term employee benefits	57,969,287.42	498,871,976.49	488,702,553.33	68,138,710.58
Post-employment benefits – defined contribution plans	2,518,896.85	30,311,176.43	30,410,434.15	2,419,639.13
Total	60,488,184.27	529,183,152.92	519,112,987.48	70,558,349.71

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXV) Employee benefits payable (continued)

2. List of short-term employee benefits

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
(1) Wages and salaries, bonus, allowances and subsidies	56,230,979.61	447,906,594.96	437,976,426.00	66,161,148.57
(2) Staff welfare	87,835.30	10,184,665.65	9,965,118.81	307,382.14
(3) Social insurance contributions	1,334,394.89	19,527,025.66	19,397,236.12	1,464,184.43
Including: Medical insurance	1,290,685.28	18,813,797.48	18,678,735.17	1,425,747.59
Work injury insurance	38,841.61	641,567.33	643,107.24	37,301.70
Maternity insurance	4,868.00	55,652.85	60,096.21	424.64
Others		16,008.00	15,297.50	710.50
(4) Housing funds	194,400.06	20,690,975.67	20,679,380.29	205,995.44
(5) Labour union funds and employee education funds		562,714.55	562,714.55	
(6) Other	121,677.56		121,677.56	
Total	57,969,287.42	498,871,976.49	488,702,553.33	68,138,710.58

3. List of defined contribution plans

Items	Balance at the end of previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Basic pensions	2,447,074.35	29,376,909.69	29,476,839.13	2,347,144.91
Unemployment insurance premiums	71,822.50	934,266.74	933,595.02	72,494.22
Total	2,518,896.85	30,311,176.43	30,410,434.15	2,419,639.13

In accordance with PRC regulations, the Group participates in a statutory defined contribution pension plan (basic pension insurance) organized by the local government for its employees and is required to make contributions based on the employees' salaries at a certain percentage in accordance with the local government policies and regulations, and the contributions cannot be used to offset contributions that the Group should make for its employees in future periods.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVI) Taxes payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
VAT	2,399,813.52	2,194,179.27
Enterprise income tax	26,859,279.46	22,060,348.34
Individual income tax	1,260,918.02	1,102,372.67
City maintenance and construction tax	163,205.29	39,305.94
Property tax	2,292,516.47	4,544,055.56
Educational surcharge	116,587.33	28,135.83
Land use tax	387,329.69	250,083.20
Stamp tax	25,663.04	16,848.52
Environmental protection tax	1,696.00	

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Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVII) Other payables (continued)

2. Dividend payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Ordinary share dividends		86,550.00
Dividends payable-minority shareholders of subsidiaries	735,000.00	
Total	735,000.00	86,550.00

3. Other payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Payables for long-term assets acquisition	25,932,146.03	8,703,936.40
Payables for equity acquisition	7,000,000.00	15,000,000.00
Withholding expenses	3,682,272.62	7,166,038.37
Deposit and guarantee	1,900,552.80	1,094,722.20
Current accounts	17,695,375.57	7,496,808.30
Placements	4,374,261.21	4,312,000.00
Amounts from related parties within the group	3,673,024.53	6,981,466.40
Others	6,624,054.06	4,025,654.97
Total	70,881,686.82	54,780,626.64

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXVIII) Non-current liabilities due within one year

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term borrowings due within one year	22,470,000.00	18,200,000.00
Long-term payables due within one year	99,580,000.00	
Lease liabilities due within one year	25,548,324.39	30,040,752.22
Total	147,598,324.39	48,240,752.22

(XXIX) Long-term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXI) Long-term payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term payable	42,404,938.54	
Special payable		
Total	42,404,938.54	

Of which: long-term payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Accrued financial lease outlay	141,984,938.54	
Including: Unrealized financing expenses	9,382,772.07	
Less: Long-term payables within one year	99,580,000.00	
Total	42,404,938.54	

(XXXII) Deferred income

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period	Reasons
Government grants	9,341,683.00		303,792.00	9,037,891.00	Amortization has not yet been completed
Total	9,341,683.00		303,792.00	9,037,891.00	

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXII) Deferred income (continued)

Projects related to government grants:

Liabilities	Balance as at the end of the previous year	Additions of grants for the current period	Amount included in profit or loss for the current period	Other changes	Balance as at the end of the period	Asset-related/ income-related
Expansion project of the inpatient building	9,341,683.00		303,792.00		9,037,891.00	Asset-related
Total	9,341,683.00		303,792.00		9,037,891.00	

(XXXIII) Share capital

Items	Balance as at the end of the previous year	Increases (+)/decreases (-) in the current period					Balance as at the end of the period
		Issuance of new shares	Bonus issue	Conversion from reserves	Others	Sub-total	
Total shares	74,600,300.00						74,600,300.00

(XXXIV) Capital surplus

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Stock premium	783,420,735.87			783,420,735.87
Other capital surplus				
– Share-based payment	32,642,955.35	12,214,418.85		44,857,374.20
– Other capital surplus	22,101,704.37	4,698,718.86		26,800,423.23
Total	838,165,395.59	16,913,137.71		855,078,533.30

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXIV) Capital surplus (continued)

Other explanations, including increases and decreases and reasons in the current period:

(1) For details of share-based payment, please refer to Note IX.

(2) In 2022, the increase of RMB4,698,718.86 in other capital reserves is due to the deferred income tax arising from the expected changes in the fair value of the Restricted Shares granted in the Restricted Share Incentive Plan.

(XXXV) Surplus reserve

Items	Balance as at the end of the previous year	Balance at the beginning of the year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Statutory surplus reserve	38,399,577.13	38,399,577.13			38,399,577.13
Total	38,399,577.13	38,399,577.13			38,399,577.13

Other explanations:

In accordance with the Company Law of the People's Republic of China, the Company shall appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the paid-in capital upon approval.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXVI) Retained earnings

Items	Amount for the current period	Amount for the previous period
Retained earnings before adjustment at the end of previous year	257,098,624.31	205,665,236.07
Adjustment to the retained earnings in total at the beginning of the year (increase +, decrease -)		9,203,741.45
Retained earnings after adjustment at the beginning of the year	257,098,624.31	214,868,977.52
Add: Net profit attributable to owners of the parent company of the current period	-24,220,782.31	44,035,995.21
Less: Appropriation to statutory surplus reserve		1,806,348.42
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares		
Dividend on ordinary share converted to share capital		
Others	628,692.43	
Retained earnings at the end of the period	233,506,534.43	257,098,624.31

Details of adjustment to the retained earnings at the beginning of the year:

1. Due to the significant accounting errors, retaining earnings was affected by RMB9,203,741.45.

2. Yueqing Yining TCM-intergrated hospital Co., Ltd. was merged combination under different control, the total amount of the investment cost less than the fair value of identifiable net assets, and decrease the retained earnings at the end of the period by RMB628,692.43.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXVII) Revenue and cost of sales

1. Analysis of revenue and cost of sales

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	1,366,816,938.51	1,040,114,649.97	1,202,774,377.74	897,111,635.75
Other businesses	118,086,103.74	91,857,292.80	94,655,992.09	71,320,820.01
Total	1,484,903,042.25	1,131,971,942.77	1,297,430,369.83	968,432,455.76

Breakdown of revenue:

Items	Amount for the current period	Amount for the previous period
Revenue from main businesses	1,366,816,938.51	1,202,774,377.74
Including: Pharmaceutical sales	305,118,303.27	267,588,282.25
Treatments and general healthcare services	1,061,698,635.24	935,186,095.49
Revenue from other businesses	118,086,103.74	94,655,992.09
Including: Wholesale and retail revenue of pharmaceutical and equipment	85,464,736.39	51,613,429.22
Management service	3,000,000.00	2,970,297.00
Rental income	8,067,969.32	7,515,329.40
Real estate sales		16,043,547.63
Others	21,553,398.03	16,513,388.84
Total	1,484,903,042.25	1,297,430,369.83

2. Description of performance obligation

The performance obligation of treatments and general healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XXXVIII) Taxes and surcharges

Items	Amount for the current period	Amount for the previous period
Property tax	2,582,375.14	4,416,392.57
City maintenance and construction tax	860,190.44	280,340.23
Educational surcharge	614,023.37	213,689.46
Land use tax	511,669.95	392,290.44
Stamp tax	243,303.00	265,035.50
Others	148,723.89	186,471.08
Total	4,960,285.79	5,754,219.28

(XXXIX) Selling and distribution expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	8,059,173.39	5,556,366.17
Depreciation expenses	178,673.67	156,569.73
Amortisation of intangible assets	45,027.48	44,100.98
Amortisation of long-term prepaid expenses	282,111.17	257,131.08
Entertainment expenses	1,465,925.95	520,490.16
Office expenses	215,653.95	356,031.89
Travelling expenses	297,081.62	363,691.02
Utilities		2,444.13
Outsourcing expenses	21,272.50	39,509.00
Promotion expenses	3,526,992.98	2,893,681.49
Repair and maintenance expenses	118,657.20	35,463.43
Others	93,931.48	109,913.57
Consulting service fees	699,526.34	
Total	15,004,027.73	10,335,392.65

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XL)General and administrative expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	106,839,736.87	92,095,322.35
Consulting service fees	22,821,067.41	11,791,502.03
Depreciation expenses	12,364,390.29	10,327,372.91
Repair and maintenance expenses	7,928,268.21	7,688,976.40
Amortisation of long-term prepaid expenses	7,169,511.48	7,803,052.34
Auditors' remuneration	6,366,300.00	1,222,900.00
Office expenses	5,452,608.66	5,171,123.31
Amortisation of intangible assets	5,226,706.30	3,986,627.45
Entertainment expenses	4,539,506.45	2,946,383.00
Equity incentives	4,412,652.14	8,414,462.03
Travelling expenses	4,358,637.42	2,835,174.29
Property management expenses	2,798,524.34	3,204,882.36
Housing lease expenses	2,653,266.15	4,644,062.36
Canteen expenditure	2,527,587.52	3,580,020.08
Pharmaceutical and medical consumables used	2,521,353.37	1,319,556.59
Outsourcing expenses	2,099,610.09	3,313,286.64
Utilities	1,889,937.19	1,974,023.35
Promotion expenses		96,657.59
Others	3,917,508.51	3,956,503.74
Total	205,887,172.40	176,371,888.82

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLI) Research and development expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	29,575,455.47	24,627,424.22
Outsourcing expenses	1,164,368.95	1,346,035.33
Depreciation expenses	550,065.23	594,882.24
Pharmaceutical and medical consumables used	400,114.92	311,882.70
Amortisation of long-term prepaid expenses	76,467.92	
Testing fee	68,877.00	134,907.60
Conference expenses	58,690.00	
Training expenses	30,200.00	
Travelling expenses	19,682.96	76,999.34
Utilities	11,090.48	
Consulting service fees	3,000.00	
Other	1,069,974.86	870,041.96
Total	33,027,987.79	27,962,173.39

(XLII) Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	45,149,998.30	36,267,756.91
Including: Interest expenses on lease liabilities	11,935,506.62	14,290,203.16
Less: Interest income	2,761,765.05	1,691,366.88
Foreign exchange gains and losses	-78,462.87	38,704.15
Fees	1,999,946.76	3,043,331.77
Total	44,309,717.14	37,658,425.95

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIII) Other income

Items	Amount for the current period	Amount for the previous period
Government grants	14,602,195.91	13,486,446.80
Additional input VAT credit	37,171.75	
Fees for withholding individual income tax	162,213.15	133,188.26
Other	106,130.00	
Total	14,907,710.81	13,619,635.06

Government grants included in other income

Items	Amount for the current period	Amount for the previous period	Asset-related/ income-related
Tax and social insurance return	859,807.09	1,231,900.37	Income-related
Subsidies for Technology-based enterprise	3,408,933.78	3,325,154.99	Income-related
Subsidies for resident doctors standardized training	1,018,900.00	2,270,000.00	Income-related
Employment stabilization subsidies from Human Resources and Social Security Bureau	973,813.11	244,079.31	Income-related
Incentive for enterprises above designated size in the service sector from Development and Reform Bureau of Cangnan County in 2021	638,519.98		Income-related
Subsidies for designated rehabilitation institutions for disabled children	600,000.00	50,000.00	Income-related
Subsidies for postdoctoral research workstation	600,000.00		Income-related
Vaccines and nucleic acid subsidies related to COVID-19	440,197.00	814,795.52	Income-related
Service support subsidies from the Health Commission	311,520.00	744,608.99	Income-related
Reconstruction and expansion project subsidized by Wenzhou Finance Bureau	303,792.00	303,792.00	Asset-related
Subsidies for recognized as high-tech enterprise	300,000.00		Income-related
Bed subsidies from Health and Family Planning Bureau	284,000.00	284,000.00	Income-related
Subsidies for job enlargement	249,000.00		Income-related
Subsidies for construction of private medical institutions from Health Bureau of Yueqing in 2021	238,400.00		Income-related

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIII) Other income (continued)

Government grants included in other income (continued)

Items	Amount for the current period	Amount for the previous period	Asset-related/ income-related
Human resource service fee for COVID-19 prevention from Health Commission of Pingyang	197,750.00		Income-related
Patients with severe mental disorders working expenses from Health Commission of Cangnan	174,653.70		Income-related
Unemployment Security Benefits from the Bureau of Human Resources and Social Security	138,796.96		Income-related
Operating Subsidies	120,835.00		Income-related
Subsidies for retain workers	117,625.00		Income-related
Withdraw wages for high-speed isolation point from Datian Health Service Center	64,000.00		Income-related
Health Bureau of Yuhang District, Hangzhou	63,971.59		Income-related
Incentive for enterprises above designated size in the service sector from Development and Reform Bureau of Pingyang	55,332.00	50,000.00	Income-related
Service Industry innovation and development special award of Pingyang	50,000.00		Income-related
Subsidies for talent training	90,000.00	168,696.99	Income-related
Subsidies for Disabled Person's Home	40,000.00	40,000.00	Income-related
The Ministry of Finance and the State Administration of Taxation have announced a reduction or exemption of urban land use tax for new hospitals	38,201.19		Income-related
Employment subsidies	36,218.55		Income-related
The 2022 funding subsidy for financially distressed enterprises by the Economic and Information Bureau of Yongjia County	22,045.69		Income-related
Subsidy from the Finance Bureau of Ningbo Meishan Bonded Port Area	20,000.00		Income-related
The reward for the creation of a zero-waste office by Pingyang Branch of Wenzhou Ecological Environment Bureau	20,000.00		Income-related
The municipal-level health promotion hospital subsidy disbursed by the Health Commission of Liuhe District	20,000.00		Income-related
The reward for the zero-waste hospital project by Cangnan Branch of Wenzhou Ecological Environment Bureau	20,000.00		Income-related

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIII) Other income (continued)

Government grants included in other income (continued)

Items	Amount for the current period	Amount for the previous period	Asset-related/ income-related
Received the work fund for free medication from the Centers for Disease Control and Prevention	17,000.00		Income-related
Social insurance subsidies for college graduates provided by the Employment Center of Jiaojiang District	13,610.61		Income-related
Wenzhou Lucheng District Development and Reform Bureau's Enterprise Rent Incentive Program	12,000.00		Income-related
Yueqing City Health Bureau's Subsidy for Public Health Services Fund	10,200.00	13,500.00	Income-related
Wenzhou Municipal Health Commission's Funds for Young Medical Talents	7,000.00		Income-related
Wenzhou Municipal Health Commission's Hospitalization Residency Training Fund	6,700.00		Income-related
Subsidy from Wenzhou Housing Provident Fund Management Center	4,433.33		Income-related
Pingyang County Health Bureau's Subsidy Fund	3,000.00	1,904,299.94	Income-related
Linhai City Center for Disease Control and Prevention's Free Medication Subsidy	3,000.00		Income-related
Wenzhou Housing Provident Fund Management Center's Housing Provident Fund Subsidy	1,833.33		Income-related
Yuhang District Propaganda Department's Funds for Rewarding Copyright Registration, to be Distributed on their Behalf	1,600.00		Income-related
Employee Accommodation Subsidy	1,500.00	74,237.34	Income-related
Medical Subsidy	1,380.00		Income-related
Public Health Special Funds of Luhe District Health Commission	1,000.00		Income-related
Pingyang County's Project Fund for the Elimination of Mother-to-Child Transmission of HIV, Syphilis, and Hepatitis B	476.00		Income-related
Pingyang County's Project Fund for the First Phase of Birth Defects Prevention	450.00		Income-related
Ouhai District Market Supervision Administration's Subsidy for Monitoring Adverse Drug Reactions	360.00		Income-related

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIII) Other income (continued)

Government grants included in other income (continued)

Items	Amount for the current period	Amount for the previous period	Asset-related/ income-related
Subsidy for Adverse Drug Reaction Testing	340.00		Income-related
Subsidy Fund for Municipal Social Capital Office's Medical Award		478,000.00	Income-related
Subsidy for Construction of Cangnan People's Hospital's Medical-Community Integration Project		414,380.00	Income-related
Mid-term Construction Fund for Key Laboratory		216,800.00	Asset-related
Assessment and Incentive Fee from Hangzhou Yuhang District Health Bureau		175,000.00	Income-related
Social Medical Institutions Subsidy Fund for Yueqing City Health Bureau		137,120.00	Income-related
Key Public Health Services Subsidy from Cangnan Finance Bureau		125,000.00	Income-related
Comprehensive Evaluation Award from Linping District Health Bureau		120,000.00	Income-related
Subsidy from Haidian District Health Commission		70,800.00	Income-related
Employment Subsidy for Employee		65,149.25	Income-related
Subsidy Fund from Cangnan Disabled Persons' Federation		50,000.00	Income-related
Award Subsidy for Service Industry Promotion Program		50,000.00	Income-related
Subsidy for Training Employees through Work by Employment Management Center		31,000.00	Income-related
Enterprise Top Award 2020		30,000.00	Income-related
Emergency Assistance Fund from Huainan Health Commission		4,132.10	Income-related
Total	14,602,195.91	13,486,446.80	

(XLIV) Investment income

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments under the equity method	-15,926,847.45	-6,565,719.92
Investment income from disposal of long-term equity investments	18,062,957.54	7,074,375.84
Investment income from financial assets held for trading during the holding period	714,348.18	6,429,189.35
Total	2,850,458.27	6,937,845.27

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLV) Gains from changes in fair value

Source of gains from changes in fair value	Amount for the current period	Amount for the previous period
Financial assets held for trading	-2,054,396.53	8,407,356.31
Including: Gains from changes in the fair value of derivative financial instruments		
Financial liabilities held for trading	-13,922,929.38	
Investment properties measured at fair value		1,010,034.42
Total	-15,977,325.91	9,417,390.73

(XLVI) Credit impairment losses

Items	Amount for the current period	Amount for the previous period
Losses on bad debts of accounts receivable	11,260,563.08	3,005,695.74
Losses on bad debts of other receivables	13,930,978.11	-865,499.29
Total	25,191,541.19	2,140,196.45

(XLVII) Assets impairment losses

Items	Amount for the current period	Amount for the previous period
Goodwill impairment losses	10,345,460.56	6,179,290.37
Total	10,345,460.56	6,179,290.37

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLVIII) Gains from disposal of assets

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from disposal of non-current assets (losses represented with "-" signs)	406,184.95	-101,512.90	406,184.95
Including: Gains from disposal of fixed assets (losses represented with "-" signs)	406,184.95	-101,512.90	406,184.95
Others		22,109.35	
Total	406,184.95	-79,403.55	406,184.95

(XLIX) Non-operating income

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from damaging and scrapping of non-current assets	12,737.42	154,603.42	12,737.42
Including: Fixed assets	12,737.42	154,603.42	12,737.42
Donations received	7,435,774.26	9,470,530.18	7,435,774.26
Government grants not relating to daily activities of enterprises	55,075.00	265,600.00	55,075.00
Gains from counts	60.10		60.10
Penalty income	35,711.51		35,711.51
Demolition and reallocation compensation income		1,800,000.00	
Various reward income	12,000.00		12,000.00
Unpayable payments	15,000.00		15,000.00
Others	987,619.57	145,198.20	987,619.57
Total	8,553,977.86	11,835,931.80	8,553,977.86

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(XLIX) Non-operating income (continued)

Government grants included in non-operating income

Items	Amount for the current period	Amount for the previous period	Asset-related/ income-related
Subsidies for Wenzhou-based private enterprises to stay in Wenzhou in 2021		100,000.00	Income-related
Preliminary expenses for Disabled Person's Home		150,000.00	Income-related
Subsidy for Doctoral Innovation Station	5,000.00		Income-related
Fund for Collecting Adverse Drug Reactions from Market Regulation of Drugs	75.00		Income-related
Enterprise Talent Cultivation Award	5,000.00		Income-related
Subsidy for Basic Living Expenses of Homeless	40,000.00		Income-related
Subsidy for Basic Living Expenses of Homeless	5,000.00		Income-related
Incentive Fund from Pingyang Health Bureau		15,600.00	Income-related
Total	55,075.00	265,600.00	

(L) Non-operating expenses

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Losses on damaging and scrapping of non-current assets	1,587,610.46	165,976.73	1,587,610.46
Including: Fixed assets	1,587,610.46	165,976.73	1,587,610.46
Expenses of donation to charities	3,927,631.03	3,333,396.94	3,927,631.03
abnormal losses	521,375.57		521,375.57
Losses from counts	99,809.90		99,809.90
Penalty	267,628.43		267,628.43
Liquidated damages expenses	1,754,450.54	3,398,511.21	1,754,450.54
Others	1,182,532.80	1,738,698.54	1,182,532.80
Total	9,341,038.73	8,636,583.42	9,341,038.73

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LI) Income tax expenses

1. Table of income tax expenses

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	40,192,565.61	26,919,820.08
Deferred income tax expenses	-13,618,853.12	

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LII) Earnings per share

1. *Basic earnings per share*

Basic earnings per share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company divided by the weighted average number of outstanding ordinary shares of the Company:

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company	-24,220,782.31	44,035,995.21
Weighted average number of outstanding ordinary shares of the Company	74,600,300.00	72,140,300.00
Basic earnings per share	-0.32	0.61
Including: Basic earnings per share from continuing operations	-0.32	0.61
Basic earnings per share from discontinued operations		

2. *Diluted earnings per share*

Diluted earnings per share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company (diluted) divided by the weighted average number of outstanding ordinary shares of the Company(diluted):

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company (diluted)	-24,220,782.31	44,035,995.21
Weighted average number of outstanding ordinary shares of the Company(diluted)	74,600,300.00	74,600,300.00
Diluted earnings per share	-0.32	0.59
Including: Diluted earnings per share from continuing operations	-0.32	0.59
Diluted earnings per share from discontinued operations		

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIII) Supplementary information to the income statement of expenses by nature

The cost of sale, selling and distribution expenses, general and administrative expenses, research and development expenses in the income statement are listed as follows by nature:

Items	Amount for the current period	Amount for the previous period
Employee benefits expenses	538,910,495.15	435,967,572.12
Pharmaceutical and medical consumables used	417,971,255.04	353,105,992.03
Costs of real estate sold		15,204,373.00
Depreciation of fixed assets	53,029,785.07	45,173,131.23
Depreciation of right-of-use assets	38,189,335.84	45,435,380.70
Amortisation of intangible assets	22,991,163.56	15,010,629.62
Amortisation of long-term prepaid expenses	46,397,646.59	38,371,918.45
Housing lease and property management expenses	17,904,619.09	15,472,884.97
Canteen expenditure	66,553,544.09	57,050,465.71
Utilities	29,928,936.30	24,096,157.46
Outsourcing expenses	23,086,080.63	21,047,712.17
Testing fee	27,657,239.14	25,603,836.37
Consulting service fees	28,302,685.02	13,820,361.56
Auditors' remuneration	6,366,300.00	1,222,900.00
Promotion expenses	3,526,992.98	2,990,339.08
Travelling expenses	5,332,487.78	4,416,545.06
Office expenses	8,492,200.89	9,312,807.52
Share-based payment	12,214,418.85	15,932,752.35
Others	39,035,944.67	43,866,151.22
Total	1,385,891,130.69	1,183,101,910.62

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIV) Items in the cash flow statement

1. *Cash received relating to other operating activities*

Items	Amount for the current period	Amount for the previous period
Recovery of current accounts and advances	40,253,328.59	45,945,728.57
Government grants income	14,633,117.41	13,579,087.19
Leasing income	8,067,969.32	7,012,773.24
Donation income	10,116,855.54	12,851,693.57
Interest income	12,751,158.99	14,960,534.77
Non-operating income	1,035,391.18	1,870,927.58
Receive restricted monetary funds	14,000,000.00	
Total	100,857,821.03	96,220,744.92

2. *Cash paid relating to other operating activities*

Items	Amount for the current period	Amount for the previous period
Inter-enterprise transactions	30,632,892.49	23,313,110.97
Cost expenditure	82,155,141.49	54,235,967.08
Donation expenses	6,608,712.31	6,714,560.33
Non-operating expenses	2,927,440.32	4,469,403.02
Financial expenses – others	1,082,364.51	1,442,594.04
Receive restricted monetary funds	12,498,972.00	
Total	135,905,523.12	90,175,635.44

3. *Cash paid relating to other investing activities*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Net cash paid on disposal of subsidiaries	8,770,704.43	
Total	8,770,704.43	

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LIV) Items in the cash flow statement (continued)

4. Cash received relating to other financing activities

Items	Amount for the current period	Amount for the previous period
Cash received for finance lease	150,684,059.10	
Cash received for lease liabilities	736,190.90	
Total	151,420,250.00	

5. Cash paid relating to other financing activities

Items	Amount for the current period	Amount for the previous period
Cash paid for finance lease	8,096,992.56	
Cash paid for lease liabilities	43,524,302.81	44,807,765.61
Funds returned from inter-enterprise loans	4,500,000.00	750,000.00
Cash paid for acquisition of non-controlling interests of the subsidiaries		15,118,800.00
Total	56,121,295.37	60,676,565.61

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LV) Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	-10,968,838.36	40,860,230.05
Add: Credit impairment losses	25,191,541.19	2,140,196.45
Provision for assets impairment	10,345,460.56	6,179,290.37
Depreciation of fixed assets	53,029,785.07	48,274,868.81
Consumption of oil and gas assets		
Depreciation of right-of-use assets	38,189,335.84	41,779,572.06
Amortisation of intangible assets	22,991,163.56	14,530,192.10
Amortisation of long-term prepaid expenses	46,397,646.59	38,836,785.71
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with "-" signs)	-406,184.95	79,403.55
Losses on scrapping of fixed assets (gains represented with "-" signs)	1,574,873.04	11,373.31
Losses on changes in fair value (gains represented with "-" signs)	15,977,325.91	-9,417,390.73
Financial expenses (gains represented with "-" signs)	45,071,535.43	36,306,461.06
Investment losses (gains represented with "-" signs)	-2,850,458.27	-6,937,845.27
Decrease in deferred tax assets (increase represented with "-" signs)	-6,345,432.93	27,745,384.58
Increase in deferred tax liabilities (decrease represented with "-" signs)	672,088.86	14,843,351.28
Decrease in inventories (increase represented with "-" signs)	-1,812,096.14	-19,010,829.84
Decrease in operating receivables (increase represented with "-" signs)	-137,055,559.27	-37,743,452.80
Increase in operating payables (decrease represented with "-" signs)	127,218,378.32	-4,581,092.21
Others		
Net cash flows from operating activities	227,220,564.45	193,896,498.48
2. Significant non-cash transactions in relation to investing and financing activities		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	258,595,990.97	188,734,845.77
Less: Cash at the beginning of the period	188,734,845.77	200,092,665.42
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	69,861,145.20	-11,357,819.65

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LV) Supplementary information to the cash flow statement (continued)

2. Net cash received from subsidiaries paid in the current period

	Amount
Cash or cash equivalents paid in the current period for business mergers occurring in the current period	54,309,855.16
Including: Jingyun Shuning Hospital Co., Ltd.	21,684,900.00
Yueqing Yining TCM-intergrated Hospital Co., Ltd.	32,624,955.16
Less: Cash and cash equivalents held by the Company at the date of purchase	624,153.88
Including: Jingyun Shuning Hospital Co., Ltd.	624,153.88
Yueqing Yining TCM-intergrated Hospital Co., Ltd.	
Add: Cash or cash equivalents paid in the current period for business mergers that occurred in previous periods	
Obtain net cash paid by subsidiaries	53,685,701.28

3. Composition of cash and cash equivalents

Items	Amount for the current period	Amount for the previous period
I. Cash	258,595,990.97	188,734,845.77
Including: Cash on hand	454,907.26	971,773.72
Digital currency that can be readily drawn on demand		
Cash at bank that can be readily drawn on demand	257,534,338.59	187,484,938.31
Other cash balances that can be readily drawn on demand	606,745.12	278,133.74
Deposits with central bank that can be readily drawn on demand		
Deposits with other banks		
Loans from other banks		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Cash and cash equivalents at the end of the period	258,595,990.97	188,734,845.77
Including: Use of restricted cash and cash equivalents by the parent company or subsidiaries within the Group		

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

(LVI) Assets with restricted ownership or right-of-use

Items	Carrying amount as at the end of the period	Reasons for restriction
Monetary funds	498,972.00	Bank acceptance deposit
	12,000,000.00	Performance bond
Fixed assets	35,612,151.67	Charges on fixed assets
	73,406,248.95	Sale and leaseback and finance leases
Intangible assets	6,107,838.02	Charges on intangible assets
Total	133,942,408.61	

(LVII) Government grants

Please refer to Note V (XLIII) and Note V (XLIX) for details.

VI. Changes in scope of consolidation

(I) Business combination not under common control

1. Business combination not under common control during the period

Name of acquiree	Time of acquisition of equity interest	Consideration of acquisition of equity interest	Percentage of equity interest acquired (%)	Method of acquisition of equity interest	Date of acquisition	Basis for determining the date of acquisition	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period
Yueqing Yining TCM-intergrated Hospital Co., Ltd.	1 January 2022	40,954,955.16	100.00	Acquisition with cash	1 January 2022	Control	27,532,869.86	-4,419,349.99
Jingyun Shuning Hospital Co., Ltd.	1 January 2022	20,191,069.69	51.00	Acquisition with cash	1 January 2022	Control	18,138,141.83	1,742,247.49
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	1 January 2022	3,000,000.00	60.00	Acquisition with cash	1 January 2022	Control		

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

2. Cost of combination and goodwill

	Yueqing Yining	Jingyun Shuning	Zhejiang Fengsheng

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(I) Business combination not under common control (continued)

2. Cost of combination and goodwill (Continued)

(2) In January 2022, Zhejiang Kangning Hospital Management (Group) Company Limited (hereinafter referred to as "Zhejiang Kangning"), a subsidiary of the Company, and Chen Jian and Yuan Xiaoyan, shareholders of Zhejiang Fengsheng Nutrition Technology Co., Ltd. (hereinafter referred to as "Zhejiang Fengsheng"), jointly signed the Shareholders' Agreement of Zhejiang Fengsheng Nutrition Technology Co., Ltd., agreeing that the Company's investment of RMB3,000,000.00 accounted for RMB2,673,987.56 of the fair value of the identifiable net assets of Zhejiang Fengsheng, resulting in goodwill of RMB326,012.44.

3. Identifiable assets and liabilities of the acquiree on the date of acquisition

	Yueqing Yining		Jingyun Shuning		Zhejiang Fengsheng	
	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition
Assets:	59,544,389.38	46,544,389.38	37,912,065.31	21,595,600.11	3,596,967.56	3,596,967.56
Cash and bank balances			624,153.88	624,153.88	3,003,084.38	3,003,084.38
Receivables	3,060,406.64	3,060,406.64	7,552,399.46	7,552,399.46		
Inventories			505,619.01	504,706.60	590,783.18	590,783.18
Other current assets			22,965.97	22,965.97		
Fixed assets	4,043,853.80	4,043,853.80	847,808.30	394,720.51	3,100.00	3,100.00
Construction			6,651,653.69	6,651,653.69		
Intangible assets	13,299,835.09	299,835.09	15,862,465.00			
Long-term deferred expenses	24,864,697.08	24,864,697.08				
Other non-current assets	14,275,596.77	14,275,596.77	5,845,000.00	5,845,000.00		
Liabilities:	17,960,741.79	17,960,741.79	8,244,110.73	4,164,994.43	422,980.00	422,980.00
Borrowings						
Payables	14,710,741.79	14,710,741.79	4,099,565.00	4,099,565.00	261,041.74	261,041.74
Employee benefits payable			618,827.28	618,827.28	159,133.43	159,133.43
Taxes payable			-553,397.85	-553,397.85	2,804.83	2,804.83
Deferred income tax liabilities	3,250,000.00	3,250,000.00	4,079,116.30			
Net assets	41,583,647.59	28,583,647.59	29,667,954.58	17,430,605.68	3,173,987.56	3,173,987.56
Less: minority interests			15,130,745.84	8,889,661.19	500,000.00	500,000.00
Net assets acquired	41,583,647.59	28,583,647.59	14,537,208.74	8,540,944.49	2,673,987.56	2,673,987.56

Method of determining the fair value of identifiable assets and liabilities: The Company uses valuation techniques to determine the fair value of identifiable assets and liabilities.

VI. Changes in scope of consolidation (continued)

(II) Disposal of subsidiaries

1. Loss of control arising from a single disposal of investments in subsidiaries

Name of subsidiary	Consideration for disposal of equity interest	Percentage of disposal of equity interest (%)	Method of disposal of equity interest	Date of loss of control	Basis for determining the date of loss of control	Difference between the consideration for disposal and the share of net assets of the subsidiary at the level of the relevant consolidated financial statements in which the disposed investments presented	Percentage of remaining equity interest on the date of loss of control (%)	Carrying amount of remaining equity interest on the date of loss of control	Fair value of remaining equity interest on the date of loss of control	Gain or loss on fair value remeasurement of remaining equity interests	Determination method and major assumptions of the fair value of remaining equity interest on the date of loss of control	Amount transferred into investment gain or loss from other comprehensive income relating to the equity investment in the former subsidiary
Hangzhou Yining Hospital Co., Ltd.	14,000,000.00	28.00	Negotiating transfer	2022/7/31	Agreement	42,078,792.16	33.00	16,500,000.00		16,500,000.00	Disposal price	

Other explanations:

On 10 August 2022, Zhejiang Kangning Hospital Management (Group) Company Limited (hereinafter referred to as "Zhejiang Kangning"), a subsidiary of the Company, and Chongqing Jinpu Medical and Health Service Industry Equity Investment Fund Partnership (Limited Partnership), Chongqing Jinpu Phase II Medical and Health Service Industry Equity Investment Fund Partnership (Limited Partnership) and Tongxiang Wuzhen Lianxin Lianyi Health Management Co., Ltd. (hereinafter referred to as "Lianxin Lianyi") entered into the Shareholders, Agreement in respect of Hangzhou Yining Hospital Co., Ltd., agreeing that Zhejiang Kangning would transfer its 28% equity interest in Hangzhou Yining Hospital Co., Ltd. to Lianxin Lianyi at a consideration of RMB14,000,000.00, and if Lianxin Lianyi completes the performance commitment, it will not be required to pay the above equity consideration, and the fair value of the financial liabilities for trading recognized by the appraisal of the contingent consideration is RMB13,922,929.38. Hangzhou Yining Hospital Co., Ltd. completed the change of business registration and the delivery of equity interest on August 10, 2022.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VI. Changes in scope of consolidation (continued)

(III) Changes in the scope of consolidation due to other reasons

The company reduced the registered capital of Zhejiang Huangfeng Hospital by RMB7.23 million. After the completion of capital reduction, the Company holds 47.48% of the equity of Zhejiang Huangfeng Hospital and loses the right of control.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiary	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital (0000' yuan)	Shareholding (%) Direct	Indirect	Method of acquisition
Zhejiang Kangning Hospital Management (Group) Co., Ltd.	limited liability company (LLC)	Ningbo	Ningbo	Hospital management	2,0000	100.00		Incorporation
Pingyang Kangning Hospital Co., Ltd.	LLC	Pingyang	Pingyang	Medical service	600		100.00	Incorporation
Wenzhou Yining Geriatric Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	6,000		100.00	Incorporation
Quzhou Yining Hospital Co., Ltd.	LLC	Quzhou	Quzhou	Medical service	3,000		60.00	Incorporation
Taizhou Luqiao Cining Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	1,000		51.00	Incorporation
Yiwu Kangning Hospital Management Co., Ltd.	LLC	Yiwu	Yiwu	Hospital management	3,000		100.00	Incorporation
Taizhou Kangning Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	1,000		51.00	Business combination not under common control
Hangzhou Cining Hospital Co., Ltd.	LLC	Hangzhou	Hangzhou	Medical service	100		100.00	Incorporation
Wenzhou Tianzhentang Chinese Medicine Clinic Co., Ltd.	one-person LLC	Wenzhou	Wenzhou	Medical service	500		100.00	Incorporation
Zhejiang Jerinte Health Technology Co., Ltd.	LLC	Hangzhou	Hangzhou	Technology service	1,000		100.00	Incorporation
Wenzhou Jerinte Jingxin Technology Co., Ltd. (温州傑翎靖心科技有限公司)	LLC	Wenzhou	Wenzhou	Technology service	1,000		50.00	Incorporation
Nanjing Yining Hospital Co., Ltd.	LLC	Nanjing	Nanjing	Medical service	2,633.75		85.65	Business combination not under common control
Heze Yining Psychiatric Hospital Co., Ltd.	LLC	Heze	Heze	Medical service	3,000		51.00	Business combination not under common control
Guanxian Yining Hospital Co., Ltd.	LLC	Guanxian	Guanxian	Medical service	1,000		90.00	Business combination not under common control
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	753		51.00	Business combination not under common control
Beijing Yining Hospital Co., Ltd.	LLC	Beijing	Beijing	Medical service	6,183.67		51.00	Incorporation
Wenzhou Yixin Health Technology Co., Ltd.	LLC	Wenzhou	Wenzhou	Technology service	50		100.00	Business combination not under common control
Huainan Kangning Hospital Co., Ltd.	LLC	Huainan	Huainan	Medical service	6,000		95.00	Business combination not under common control

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiary	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital (0000' yuan)	Shareholding (%) Direct	Indirect	Method of acquisition
Zhejiang Yining Health Technology Co., Ltd.	LLC	Hangzhou	Hangzhou	Technology service	2,040.82		98.00	Incorporation
Wenzhou Yining Drugstore Co., Ltd.	LLC	Wenzhou	Wenzhou	Drug retail	50		100.00	Incorporation
Yining Mental Health E-Hospital (Wenzhou) Co., Ltd.	LLC	Wenzhou	Wenzhou	Hospital management	500		100.00	Incorporation
Zhejiang Dening Pharmaceutical Co., Ltd.	LLC	Wenzhou	Wenzhou	Pharmaceutical retail	1,000		80.00	Incorporation
Changchun Kanglin Psychological Hospital Co., Ltd.	LLC	Changchun	Changchun	Medical service	2,700		64.55	Business combination not under common control
Chun'an Qiandao Lake Kangning Hospital Co., Ltd.	LLC	Hangzhou	Hangzhou	Medical service	1,000		100.00	Incorporation
Hangzhou Yining Medical Equipment R&D Co., Ltd.	LLC	Hangzhou	Hangzhou	Technology service	500		100.00	Incorporation
Hangzhou Yining Nursery Service Co., Ltd.	LLC	Hangzhou	Hangzhou	Nursing care	100		100.00	Incorporation
Linhai Cining Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	5,000		100.00	Incorporation
Shenzhen Yining Hospital	LLC	Shenzhen	Shenzhen	Medical service	6,000		55.00	Incorporation
Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司)	LLC	Jinhua	Jinhua	Medical service	1,660		100.00	Incorporation
Chun'an Kangning Huangfeng Hospital Co., Ltd.	LLC	Hangzhou	Hangzhou	Medical service	1,000		100.00	Incorporation
Cangnan Kangning Hospital Co., Ltd.	LLC	Cangnan	Cangnan	Medical service	5,000	100.00		Incorporation
Cangnan Yining Nursing Center Co., Ltd.	LLC	Cangnan	Cangnan	Medical service	1,000		100.00	Incorporation
Yueqing Kangning Hospital Co., Ltd.	LLC	Yueqing	Yueqing	Medical service	100	100.00		Incorporation
Linhai Kangning Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	200	80.00		Incorporation
Ouhai Yining Elderly Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	1,000	100.00		Incorporation
Qingtian Kangning Hospital Co., Ltd.	LLC	Lishui	Lishui	Medical service	3,200	100.00		Incorporation
Shenzhen Yining Medical Investment Co., Ltd.	LLC	Shenzhen	Shenzhen	Medical investment	1,000	100.00		Incorporation

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiary	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital (0000' yuan)	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Wenzhou Cining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	2,585.98	100.00		Business combination not under common control
Wenzhou Kangning Judicial Forensic Centre	LLC	Wenzhou	Wenzhou	Forensic authentication	50	100.00		Incorporation
Wenzhou Lucheng Yining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	6,800	60.00		Incorporation
Yongjia Kangning Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	2,700	100.00		Incorporation
Pingyang Changgeng Yining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	3,057.47	100.00		Business combination not under common control
Yueqing Yining TCM-intergrated Hospital Co., Ltd.	LLC	Yueqing	Yueqing	Medical service	9,800	100.00		Business combination not under common control
Jingyun Shuning Hospital Co., Ltd.	LLC	Jingyun	Jingyun	Medical service	2,398.26	51.00		Business combination not under common control
Zhejiang Fengsheng Nutrition Technology Co., Ltd.	LLC	Wenzhou	Wenzhou	Catering service	1,000		60.00	Business combination not under common control

2. Significant non-wholly-owned subsidiaries

Name of subsidiary	Shareholding percentage of non-controlling shareholder (%)	Current profits or losses attributable to non-controlling shareholders	Current dividends distributed to non-controlling shareholders	Closing balance of interest of non-controlling shareholders
Wenzhou Lucheng Yining Hospital Co., Ltd.	40.00	-3,064.34		23,767,330.26
Beijing Yining Hospital Co., Ltd.	49.00	-2,571,877.39		1,796,670.37
Shenzhen Yining Hospital	45.00	-2,673,004.08		-3,081,745.47

VII. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

3. Major financial information of the significant non-wholly-owned subsidiaries

	Balance as at the end of the period						Balance as at the end of the previous year					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Lucheng Yining Hospital Co., Ltd.	19,028,799.19	98,436,498.17	117,465,297.36	20,546,971.67	45,000,000.00	65,546,971.67	17,869,229.47	32,881,657.54	50,750,887.01	3,824,900.47		3,824,900.47
Beijing Yining Hospital Co., Ltd.	10,169,929.61	8,893,422.97	19,063,352.58	14,393,845.02	1,002,833.33	15,396,678.35	3,758,467.94	15,734,695.01	19,493,162.95	8,026,455.59	2,551,303.77	10,577,759.36
Shenzhen Yining Hospital	14,488,059.45	19,086,594.25	33,574,653.70	34,702,253.46	5,720,723.50	40,422,976.96	11,484,646.25	30,441,596.64	41,926,242.89	29,992,444.43	12,842,112.65	42,834,557.08

	Amount for the current period				Amount for the previous period			
Name of subsidiary	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wenzhou Lucheng Yining Hospital Co., Ltd.		-7,660.85	-7,660.85	2,715,235.08		-2,808,536.37	-2,808,536.37	-1,962,864.33
Beijing Yining Hospital Co., Ltd.	17,795,027.95	-5,248,729.36	-5,248,729.36	7,703,812.61	16,068,381.54	-11,178,282.74	-11,178,282.74	7,917,777.14
Shenzhen Yining Hospital	22,869,983.78	-5,940,009.07	-5,940,009.07	6,470,527.75	20,962,774.84	-14,464,180.35	-14,464,180.35	6,377,913.67

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VII. Interests in other entities (continued)

(II) Interests in joint ventures or associates

1. Significant associates

Name of associate	Major business location	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Accounting method for investment in associates	Whether strategic to the Company's activities or not
Hangzhou Anken Information Technology Co., Ltd.	Hangzhou	Hangzhou	Hospital management		26.60	Equity method	Yes
Wenzhou Longwan Yining Hospital Co., Ltd.	Wenzhou	Wenzhou	Medical service	45.00		Equity method	Yes
Shanxi Shanda Hospital Management Consulting Co., Ltd.	Xi'an	Xi'an	Hospital management		30.00	Equity method	Yes
Chongqing Hechuan Kangning Hospital Co., Ltd.	Chongqing	Chongqing	Medical service		40.00	Equity method	Yes
Chengdu Yining Hospital Co., Ltd.	Chengdu	Chengdu	Medical service		24.00	Equity method	Yes
Zhejiang Huangfeng Hospital Management Co., Ltd.	Hangzhou	Hangzhou	Hospital management	47.50		Equity method	Yes

VII. Interests in other entities (continued)

(II) Interests in joint ventures or associates (continued)

2. *Major financial information of significant associates*

	Closing balance/ amount for the period Hangzhou Anken Information Technology Co., Ltd.	Closing balance/ amount for the period Wenzhou Longwan Yining Hospital Co., Ltd.	Closing balance/ amount for the period Shanxi Shanda Hospital Management Consulting Co., Ltd.	Closing balance/ amount for the period Chongqing Hechuan Kangning Hospital Co., Ltd.	Closing balance/ amount for the period Chengdu Yining Hospital Co., Ltd.	Closing balance/ amount for the period Zhejiang Huangfeng Hospital Management Co., Ltd.	Balance as at the end of last year/amount for the previous period Hangzhou Anken Information Technology Co., Ltd.	Balance as at the end of last year/amount for the previous period Wenzhou Longwan Yining Hospital Co., Ltd.	Balance as at the end of last year/amount for the previous period Shanxi Shanda Hospital Management Consulting Co., Ltd.	Balance as at the end of last year/amount for the previous period Chongqing Hechuan Kangning Hospital Co., Ltd.	Balance as at the end of last year/amount for the previous period Chengdu Yining Hospital Co., Ltd.	Balance as at the end of last year/amount for the previous period Zhejiang Huangfeng Hospital Management Co., Ltd.
Current assets	19,588,381.60	45,554,670.57	38,333,684.29	25,126,836.57	17,559,100.77	31,441,138.84	10,960,700.92	57,760,108.73	38,998,797.55	21,758,289.08	12,963,541.45	10,040,069.86
Non-current assets	49,711,456.28	86,423,111.11	109,421,112.05	23,048,877.80	19,553,883.85	28,053,554.68	46,053,200.40	70,228,951.74	84,891,711.15	26,786,761.31	24,474,990.81	38,720,122.75
Total assets	69,299,837.88	131,977,781.68	147,754,796.34	48,175,714.37	37,112,984.62	59,494,693.52	57,013,901.32	127,989,060.47	123,890,508.70	48,545,050.39	37,438,532.26	48,760,192.61
Current liabilities	35,018,700.54	5,405,492.46	73,241,240.81	3,135,714.38	38,109,900.86	23,978,025.93	32,580,194.87		48,032,983.00	2,692,473.86	32,954,136.38	3,463,092.55
Non-current liabilities	7,081,175.96						5,084,457.94	2,250.00			24,422.75	
Total liabilities	42,099,876.50	5,405,492.46	73,241,240.81	3,135,714.38	38,109,900.86	23,978,025.93	37,664,652.81	2,250.00	48,032,983.00	2,692,473.86	32,978,559.13	3,463,092.55
Minority equity												
Equity attributable to shareholders of the parent company	27,199,961.38	126,572,289.22	74,513,555.53	45,039,999.99	-996,916.24	35,516,667.59	19,349,248.51	127,986,810.47	75,857,525.70	45,852,576.53	4,459,973.13	45,297,100.06
Share of net assets calculated by proportion of shareholding	7,235,189.73	56,957,530.15	22,354,066.66	18,016,000.00	-239,259.90	16,870,417.11	5,146,900.10	57,594,064.71	22,757,257.71	18,341,030.61	1,070,393.55	45,211,035.57
Adjustment												
– Goodwill												
– Unrealised profit of intra-group transaction												
– Others												
Carrying amount of equity investment in associates												

Fair value of equity investmen (e)0.0231750.(s)0.5 (9 -66 (9n ates)]TJ TJ( )-7jo of vestures with publicounferates)]TJ(Operatarryrevesueties)Tj /T1 1 Tf 15.51 0981 93 (1TJ 525.87)Tj 16.75 0 T38,462 (45,711.15)-1981 545,098,360.61

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VIII. Risks related to financial instruments

During its business operation, the Company faces various financial risks: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks the Company is exposed to. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Strategy and Risk Management Committee in accordance with the policies approved by the board of directors. The Strategy and Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly audits the risk management controls and procedures, and reports their findings to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

(I) Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The Company's credit risk mainly sources from monetary funds, accounts receivable, and other receivables, etc.

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and it will hardly generate significant losses caused by bank default.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VIII. Risks related to financial instruments (continued)

(I) Credit risk (continued)

The Company's accounts receivables are mainly sales of medicines and provision of medical services to patients, and also management service fees receivables. According to the social security policy of each hospital of the Company, medical fees of patients are usually jointly borne by the patients and social insurance. The Company usually collects part of the advance payment during the patient admission procedures, and the patients are required to settle their responsible part of the fee during the discharge procedures. For those fees unsettled by the patients at the time of discharge, the Company will recover from the patients through regular collections. For the medical fees borne by social insurance, the Company will reimburse the social insurance institution in a timely manner after issuing invoices to patients. The reimbursement is usually recovered within 2-9 months after application, for which the Company believes that there is no major credit risk. Some of the medical fees are also paid by government departments such as the Civil Affairs Bureau and Disabled Persons' Federation where the hospitals are located. The Company adopts different collection monitoring mechanisms for different payers.

(II) Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle by delivering cash or other financial assets.

It is the Company`s policy to ensure that it has sufficient cash to meet debts due. Liquidity risk is centrally controlled by the financial department of the Company. By monitoring cash balances, marketable securities that can be readily liquidated and rolling projections of cash flows over the next 12 months, the finance department ensures that the Company has sufficient funds to repay its debts under all reasonable projections. At the same time, the finance department continuously monitors the Company's compliance with borrowing agreements and obtains commitments from major financial institutions to provide adequate standby funds to meet short and long-term funding needs.

Various financial liabilities of the Company shall be presented at undiscounted contractual cash flows on the maturity date as follows:

		Closing Balance				
Items	Instant repayment	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Notes payables		997,944.00				997,944.00
Bank Borrowings		211,396,818.18	223,154,176.00	153,052,040.00	69,285,680.00	656,888,714.18
Long-term payables		99,580,000.00	28,954,752.75	26,076,534.51		154,611,287.26
Total		311,974,762.18	252,108,928.75	179,128,574.51	69,285,680.00	812,497,945.44

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VIII. Risks related to financial instruments (continued)

(II) Liquidity risk (continued)

	Balance at the end of the previous year					
Items	Instant repayment	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Bank Borrowings		254,050,000.00				254,050,000.00
Non-current liabilities due within one year		48,240,752.22				48,240,752.22
Total		302,290,752.22				302,290,752.22

(III) Market risk

Market risk associated with financial instruments refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

1) Interest rate risk

Interest rate risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

The Group's interest rate risk mainly arises from long-term interest bearing borrowings including long-term borrowings. Interest-bearing financial instruments at fixed rates and at floating rates expose the Company to fair value interest risk and cash flow interest rate risk, respectively. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Company will use derivative financial instruments to hedge interest rate risk when necessary.

On 31 December 2022, the Group's long-term interest-bearing borrowings were mainly RMB denominated fixed-rate contracts.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VIII. Risks related to financial instruments (continued)

(III) Market risk (continued)

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

VIII. Risks related to financial instruments (continued)

(III) Market risk (continued)

3) Other price risks

Other price risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risks arise primarily from investments in various equity instruments. There is the risk of changes in the prices of equity instruments.

On 31 December 2022, when all other variables remain unchanged, the net profits and other comprehensive income of the Company would increase or decrease by RMB1,893,506 and by RMB1,893,506, respectively supposing that the values of equity instruments increase or decrease by 3%, the management thinks that 3% reflects the reasonable range of the possible changes in the equity instruments in the next year.

IX. Disclosure of fair value

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can acquire on the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

IX. Disclosure of fair value (continued)

(I) Closing fair value of assets and liabilities measured at fair value

Item	Closing fair value			
	Measured at fair value at Level 1	Measured at fair value at Level 2	Measured at fair value at Level 3	Total
I. Continuous measurement of fair value				
◆Financial assets held for trading			10,641,026.00	10,641,026.00
1. Financial assets measured at fair value through profit and loss			10,641,026.00	10,641,026.00
(1) debt instrument investment				
(2) Investments in equity instruments			10,641,026.00	10,641,026.00
(3) derivative financial assets				
2. Financial asset designated to be measured at fair value through profit and loss				
Total assets with continuous measurement of fair value			10,641,026.00	10,641,026.00
◆financial liabilities held for trading			13,922,929.38	13,922,929.38
1. financial liabilities held for trading			13,922,929.38	13,922,929.38
(1) trading bonds issued				
(2) derivative financial liabilities				
(3) others			13,922,929.38	13,922,929.38
2. Financial liabilities designated to be measured at fair value through profit and loss				
Total liabilities with continuous measurement of fair value			13,922,929.38	13,922,929.38

(II) Qualitative and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of level 3 on a going and non-going concern

1. Management used the recent trading price of the relevant equity instruments as the fair value reference for the financial assets held for trading.

2. Management appointed an independent appraiser to assess the fair value of the financial liabilities held for trading formed from the variable consideration in the equity transaction of Hangzhou Yining of the Company using the income approach, and the input values used include: average number of beds put into operation, average inpatient consumption per bed-day, net sales margin, net increase in working capital, capital expenditure, discount rate and perpetual growth rate, etc. The relevant valuation was conducted by the Company's finance personnel The relevant valuations are independently verified and accounted for by the Company's financial personnel, and disclosures related to fair value are prepared based on the verified valuation results, refer to Note III, (XXXI) of this note for details.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions

(i) Information of the parent company

The ultimate controlling parties of the Company are: Guan Weili and his spouse, Wang Lianyue.

(ii) Information of the Company's subsidiaries

Details of the Company's subsidiaries are set out in Note "VII. Interests in other entities".

(iii) Information of the Company's joint ventures and associates

For details of the Company's significant joint ventures or associates, please refer to Note "VII. Interests in other entities".

The following joint ventures or associates entered into related party transactions with the Company during the period or had balances of related party transactions with the Company during the previous period:

Name of joint venture or associate	Relationship with the Company
Chongqing Hechuan Kangning Hospital Co., Ltd.	Associate of the Company
Wenzhou Anken Pharmacy Co., Ltd	Associate of the Company
Chengdu Yining Hospital Co., Ltd.	Associate of the Company
Hangzhou Yining Hospital Co., Ltd.	Associate of the Company

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(IV) Information of other related parties

Name of other related parties	Relationship with the Company
Yiwu Mental Health Centre	Non-profit organisation invested by the Company with council members assigned
Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership)	Participating shareholder of the Company's associate
Ningbo Free Trade Zone Shenghong Information Technology Co., Ltd	
Shandong Furen Hospital Management Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Wu Lianxi	Non-controlling shareholder of subsidiaries of the Company
Qu Kaisheng	Non-controlling shareholder of subsidiaries of the Company
Wang Hongyue	Director, an immediate relative of de facto controlling party investee
Zhejiang Tianqu Environment Construction Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company

(V) Information on related party transactions

1. Related party transactions on purchase or sale of goods and provision or acceptance of services

Statement of sales of goods/provision of services

Related party	Content of related party transactions	Amount for the period	Amount for the previous period
Yiwu Mental Health Centre	Medical management service	3,000,000.00	3,000,000.00
Chongqing Hechuan Kangning Hospital Co., Ltd.		71,199.48	
Wenzhou Anken Pharmacy Co., Ltd.		54,281.47	456,272.70
Jingyun Shuning Hospital Co., Ltd.			2,372,524.98
Related person			682,184.79

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

2. Leases with related parties

The Company acts as a lessor:

Name of lessee	Type of leased assets	Rental income recognized in the period	Rental income recognized in the previous period
Ningbo Free Trade Zone Shenghong Information Technology Co., Ltd.	Property lease		24,380.95

The Company acts as a lessee:

		Amount for the period					Amount for the previous period				
Name of lessor	Type of leased assets	Rental expense for short-term leases and leases of low-value assets under the simplified approach	variable lease payments that are not included in the measurement of lease liabilities	Rent paid	Interest expenses on lease liabilities assumed	Increase in right-of-use assets	Rental expense for short-term leases and leases of low-value assets under the simplified approach	variable lease payments that are not included in the measurement of lease liabilities	Rent paid	Interest expenses on lease liabilities assumed	Increase in right-of-use assets
Zhejiang Tianqu Environment Construction Co., Ltd.	House and building								1,089,194.31	260,402.86	

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

3. Related party guarantees

The Company acts as a guarantor:

Name of guaranteed party	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Yongjia Kangning Hospital Co., Ltd.	50,200,000.00	2019/8/26	2029/8/20	No
Qingtian Kangning Hospital Co., Ltd.	45,000,000.00	2019/12/31	2024/12/31	No

The Company acts as the guaranteed party:

Name of guarantor	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Guan Weili and Wang Lianyue	30,000,000.00	2020/6/30	2027/6/30	No
Guan Weili, Wang Hongyue and Wang Lianyue	75,000,000.00	2021/11/29	2028/11/29	No
Guan Weili, Wang Hongyue, Wang Lianyue and Xuyi	150,000,000.00	2020/10/26	2026/10/25	No
Guan Weili, Wang Lianyue and Wang Hongyue	200,000,000.00	2020/9/17	2023/9/17	No

4. Asset transfer and debt restructuring of related parties

Related party	Content of related party transactions	Amount for the period	Amount for the previous period
Guan Weili	75% equity interest in Wenzhou Guoda		55,000,000.00
Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership)	20.2658% equity interest in Nanjing Yining		8,000,000.00
Wang Hongyue	17.8% equity in Wenling Nanfang		6,230,000.00

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(V) Information on related party transactions (continued)

5. Remuneration of key management

Item	Amount for the period	Amount for the previous period
Wages and salaries, and bonus	7,282,689.67	5,760,997.06
Share-based payment	4,622,986.31	4,757,885.01

(VI) Receivables from and payables to related parties

1. Receivables

Items	Related parties	Balance as at the end of the period		Balance as at the end of the previous year	
		Book value	Provision of bad debts	Book value	Provision of bad debts
Accounts receivable					
	Chongqing Hechuan Kangning Hospital Co., Ltd.			13,425.60	134.26
	Jinyun Shuning Hospital Co., Ltd.			899,699.60	8,997.00
	Yiwu Mental Health Centre	9,500,000.00	2,600,000.00	7,500,000.00	1,500,000.00
Other receivables					
	Hangzhou Yining Hospital Co., Ltd.	25,337,819.20	15,852,030.91		

2. Payables

Items	Related parties	Book value as at the end of the period	Book value as at the end of the previous year
Other payables			
	Qu Kaisheng		2,064,354.30
	Shandong Furen Hospital Management Co., Ltd.	4,374,261.21	5,719,513.95
	Wu Lianxi	3,441,137.54	3,179,422.51
	Wang Hongyue		1,972,561.33
	Chengdu Yining Hospital Co., Ltd.	11,653.33	
Lease liabilities			
	Zhejiang Tianqu Environment Construction Co., Ltd.		3,071,553.69

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(VII) Equity and interest of directors

In 2022, the emoluments of each director, supervisor and chief executive were shown below:

Name	Emoluments	Salaries and subsidies	Contributions to social security plans	Bonus	Other welfare	Total
Executive directors						
Guan Weili	–	413,976.00	70,950.72	79,754.00	2,000.00	566,680.72
Wang Lianyue	–	516,000.00	–	96,000.00	71,000.00	683,000.00
Wang Hongyue		231,450.00	50,888.16		600.00	282,938.16
Non-executive directors						
Qin Hao	–	–	–	–	–	–
Li Changhao	–					
Independent directors						
Zhao Xudong	70,000.00	–	–	–	–	70,000.00
Zhong Wentang	70,000.00	–	–	–	–	70,000.00
Liu Ning	70,000.00	–	–	–	–	70,000.00
Supervisors						
Qian Chengliang	–	–	–	–	–	–
Xu Yongjiu	–	–	–	–	–	–
Sun Fangjun						
Xu Ning	–	313,320.00	56,939.80	36,000.00	32,200.00	438,459.80
Xie Tiefan	–	98,760.00	40,146.72	67,954.00	3,485.45	210,346.17
Total	210,000.00	1,573,506.00	218,925.40	279,708.00	109,285.45	2,391,424.85

Other notes:
On September 1, 2022, Wang Hongyue, the former executive director of the Company, resigned as an executive director of the Company as well as an authorized representative; on February 19, 2022, Sun Fangjun, the former supervisor of the Company, was changed to Xu Ning.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

X. Related parties and related party transactions (continued)

(VII)Equity and interest of directors (Continued)

In 2021, the emoluments of each director, supervisor and chief executive were shown below:

Name	Emoluments	Salaries and subsidies	Contributions to social security plans	Bonus	Other welfare	Total
Executive directors						
Guan Weili	–	398,742.00	15,795.90	78,916.40	4,300.00	497,754.30
Wang Lianyue	–	375,592.00	–	46,714.60	44,680.00	466,986.60
Wang Hongyue	–	208,108.00	–	42,396.60	1,200.00	251,704.60
Non-executive directors						
Lin Lijun	–	–	–	–	–	–
Yang Yang	–	28,200.00	4,986.80	32,385.97	8,932.90	74,505.67
Independent directors						
Zhao Xudong	70,000.00	–	–	–	–	70,000.00
Zhong Wentang	70,000.00	–	–	–	–	70,000.00
Liu Ning	70,000.00	–	–	–	–	70,000.00
Supervisors						
Huang Jing'ou	–	–	–	–	–	–
Qian Chengliang	–	–	–	–	–	–
Chen Jian	–	–	–	–	–	–
Sun Fangjun	–	–	–	–	–	–
Xie Tiefan	–	82,613.40	8,885.40	54,030.60	18,936.60	164,466.00
Total	210,000.00	1,093,255.40	29,668.10	254,444.17	78,049.50	1,665,417.17

Notes to the Financial Statements

For the year of 2022
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X. Related parties and related party transactions (continued)

(VIII) Five Individuals with Highest Remunerations

In 2022, five individuals with highest remunerations of our company include 2 directors (2021: 3), whose remunerations are reflected in below table:

Items	Amount for the current period	Amount for the previous period
Wages and salaries, bonus, housing allowance and other subsidies	3,764,039.10	3,424,382.50
Share-based payments	4,109,519.26	4,411,564.18
Total	7,873,558.36	7,835,946.68

Remuneration band	Number of individuals for the current period	Number of individuals for the previous period
500,000-1,000,000.00	1	1
Over 1,000,000.00	4	4
Total	5	5

Notes to the Financial Statements
For the year of 2022
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XI. Share-based payment

(I) Summary of share-based payment

Total equity instruments of the Company granted in the current period:

On June 13, 2018, the Company held its annual shareholders' meeting of 2018 and approved Wenzhou Kangning Hospital Equity Payment Plan 2018, which authorised the Board to handle the Company's employee share incentive plan. The Board of the Company reviewed and approved Proposal on the Granting of Restricted Shares to Incentive Objects on June 29, 2018 and August 20, 2018, respectively. The Company prepared to establish five employee share ownership platforms, including Wenzhou Zhenyan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiamei Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Enquan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiate Kangning Investment Management Partnership (Limited Liabilities Partnership) and Wenzhou Shouwang Kangning Investment Management Partnership (Limited Liabilities Partnership), and issue 2,460,000 domestic shares to these employee share ownership platforms at an

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XI. Share-based payment (continued)

(II) Equity-settled share-based payment

Method for determining the fair value of equity instruments at the grant date:

The Company engaged a professional appraisal institution to assess the fair value of the equity instruments at the grant date. The fair value of the equity instruments granted in the current period was assessed by reference to the transaction price among the shareholders of the Company of RMB30 per share.

Method for determining the best estimate of the number of exercisable equity instruments:

In June 2021, the Board of the Company reviewed and approved Proposal on Further Amendments to the Equity Incentive Plan, which cancelled the performance appraisal requirements of the Equity Incentive Plan. Therefore, only the in-service requirement during the locked-up period would affect the number of exercisable equity instruments, so the best estimate of the number of exercisable instruments was made based on the relevant severance rate.

Reasons for significant difference between current estimate and previous estimate: nil

Accumulated amount of equity-settled share-based payment included in the capital surplus:

As of December 31, 2022, the accumulated amount of equity-settled share-based payment included in the capital surplus was RMB44,857,374.20.

Total amount of equity-settled share-based payment recognized in the current period: RMB12,214,418.85.

(III) Modification and cancelation of share-based payment

In June 2021, the Board of the Company reviewed and passed Proposal on Further Amendments to the Equity Incentive Plan, which cancelled the performance appraisal requirements of the equity incentive plan and the Company's repurchase obligation of locked incentive shares.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XII. Commitments and Contingencies

(I) Significant commitments

1. Commitments for capital expenditures

The following are commitments for asset-based expenditures contracted by the Company as of the balance sheet date that are not yet required to be shown on the balance sheet:

	December 31, 2022	December 31, 2021
House, building & equipment		643,500.00
Intangible assets		429,888.00
Total		1,073,388.00

2. Outward investment commitments

As of December 31, 2022, the Company had no commitments for outward investments.

(II) Contingencies

The Company had no significant contingencies that need to be disclosed.

XIII. Events after the balance sheet date

(I) Profit distribution

Pursuant to the resolution of the Board of Directors on April 14, 2023, the Board of Directors proposed not to pay dividends to all shareholders for the year ended December 31, 2022. The proposed non-dividend proposal was approved at the Company's 2022 annual general meeting to be held on June 9, 2023.

(II) Description of other events after the balance sheet date

None.

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XIV. Capital management

The main objectives of the Company's capital management are:

— to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders on an on-going basis;

— to price the products and services according to the risk level, so as to provide sufficient returns to shareholders.

The Company set a capital that is proportional to the risk. The capital structure is managed and adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Company is not subject to external mandatory capital requirements and uses gearing ratio to monitor capital.

As at the balance sheet date, the Company's gearing ratio is as follows:

	Balance as at the end of the period	Balance as at the end of the previous year
Debt/capital ratio	49.73%	46.16%

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XV. Other significant events

(I) Corrections of prior accounting errors

Retrospective restatement method

At the 38th Meeting of the Third Session of the Board of Directors and the Eleventh Meeting of the Third Session of the Supervisory Committee of the Company, the Proposal to Review the Correction of Prior Accounting Errors was considered and approved, and the corrections of prior accounting errors in the disclosed financial statements for 2021 are as follows:

Correction of accounting errors	Processing Procedures	Affected items in the financial statements for comparison period	Cumulative affected amount
Identify the nature of donations and recognize non-operating income based on independent investigation findings	Board Resolution	Other accounts payables	-9,203,741.45
		Investment income	12,877.91
		Undistributed profit	9,190,863.54

(II) Segment Information

Each segment of the Company provides different products and services or engages in business operations at different areas. Due to demands of each segment for different technology and market strategy, the Company's management monitors different segments in respect of their business activities separately, and evaluates their operating results on a regular basis in order to allocate resources and evaluate performance.

As the Company transferred its equity interest in Wenzhou Guoda Investment in June 2021, the Company had only one reporting segment.

(III) Other significant issues which influence the decision making of investors

1. *Independent investigation of supplementary matters*

On April 14, 2023, at the 38th meeting of the third session of Board of Directors of Wenzhou Kangning Hospital Co., Ltd., the "Proposal to consider the supplemental report on the independent investigation of matters related to the resignation of the former auditor" and the "Proposal to consider the correction of prior period accounting errors" were proposed, and the Company resolved on the relevant matters as follows:

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XV. Other significant events (continued)

(III) Other significant issues which influence the decision making of investors (continued)

1. Independent investigation of supplementary matters (continued)

(1) In relation to the donation of RMB14.43 million

Based on the conclusion of the independent investigation in September 2022, the Independent Investigation Agency, through further observation, stated in the supplemental independent investigation report issued by it that the donations incurred as a return of accounts receivable during the period from 2019 to 2020 totaled RMB14.43 million, of which RMB5.25 million was rent compensation which had been corrected for accounting errors in previous years. The remaining RMB9.18 million, according to the relevant conclusion of the supplemental investigation report, are donations from the relevant donors to the indigent patients of Kangning Hospital, and therefore the amount is recognized as non-operating income in accordance with the recommendation of the Independent Investigation Committee and the resolution of the Board of Directors, resulting in the correction of accounting errors in the financial statements for the year 2021, as detailed in Note XV (I) to these financial statements.

(2) Regarding an employee of the Social Work Department involved in the Company's engineering projects

As verified by the independent investigation report and the supplemental investigation report, the employee confirmed that the benefits received from the projects involving the Company did not exceed RMB2,190,700, and the Company engaged an independent third party to verify the costs of the relevant projects, and it considered that all amounts paid by the Company under such projects were fair values. The Company's legal advisor is of the opinion that such actions of the employee violate the Company's internal control system but not laws and regulations, and therefore does not involve the recovery of the above-mentioned profits of the employee, but the Company has taken disciplinary action against the employee in accordance with the relevant internal control system.

Notes to the Financial Statements

For the year of 2022
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XV. Other significant events (continued)

(III) Other significant issues which influence the decision making of investors (continued)

1. Independent investigation of supplementary matters (continued)

(3) Regarding the financial transactions of a senior manager

Based on the possible weaknesses identified in the findings of the independent investigation in September 2022, as verified in this independent investigation report and the supplemental investigation report:

① Payments to vendors for renovations: In order to assess whether the Company had overpaid the renovation contractor for the renovation work, the Company engaged an independent third party to perform a cost valuation of the renovation project, which it concluded was reasonably priced and consistent with market practice. Accordingly, it is reasonable to assume that the Company's payment to the contractor for the renovation project was in line with market prices despite the financial transactions between the renovation contractor and the senior management.

② Acquisition of certain subsidiaries: Based on the fair value assessment conducted by a third party engaged by the Company, the consideration paid by the Company in acquiring its shares in the subsidiaries from the former shareholders of certain subsidiaries was consistent with fairness, i.e., the fact that the senior executive received personal gains from these transactions did not affect the Company's payment of the acquisition price of these subsidiaries. The Company's legal advisor is of the opinion that such actions of the senior management personnel violate the Company's internal control system but not the laws and regulations, and therefore do not involve the recovery of the senior management personnel's relevant profits from the above transactions, but the Company has disciplined the employee in accordance with the relevant internal control system.

2. Adjustment of income of indigent patients

The company lacked supporting evidence for the adjustment of indigent patients' income in the process of income error adjustment in the previous period, which led to the retention of this matter in fiscal 2021. In order to more accurately account for the impact on revenue recognition due to the inability of indigent patients to pay in full for their out-of-pocket medical expenses, the Company has taken the following actions:

(1) Revised its revenue recognition policy and established the "Rules Concerning the Accounting Method for Indigent Patients' Revenue", according to which the Company counts the ratio of recoverable medical expenses of indigent patients to overall medical expenses (recoverable rate) on a quarterly basis, and uses the average of the historical recoverable rate data for the past four most recent quarters as the best estimate of the recoverable rate of indigent patients for the current quarter to recognize variable consideration in the revenue of indigent patients for the current quarter;

Notes to the Financial Statements

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XV. Other significant events (continued)

(III) Other significant issues which influence the decision making of investors (continued)

2. Adjustment of income of indigent patients (continued)

(2) In accordance with the revised variable consideration estimation method, the Company tallied the indigent patient recoverable rate for a total of 12 quarters in 2019, 2020 and 2021 and recalculated the estimate of variable consideration for 2020 and 2021 in accordance with the new recoverable rate estimation method, and the Company compared this estimate to the amount of the accounting error adjustment previously made in 2020 and the amount of the actual accounting in 2021. The difference was RMB428,900 in 2020 and RMB335,100 in 2021, respectively, and the Company considered that the difference was proportionally small compared to the Company's full-year medical income from indigent patients and therefore did not affect the correction of income errors made at that time for the years 2020 and 2021.

(3) On this basis, the Company applied the aforementioned method to perform the relevant calculation of revenue recognition for the year 2022 based on the principle of consistency.

XVI. Notes to major items in the financial statements of the parent company

(I) Accounts receivable

1. Aging disclosure of accounts receivable by date of entry

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	49,024,983.98	40,904,137.67
1 – 2 years	709,878.26	1,282,268.26
2 – 3 years	1,158,221.95	2,748,299.92
Over 3 years	2,748,299.92	1,204,242.08
Subtotal	53,641,384.11	46,138,947.93
Less: Provision for bad debts	5,361,391.95	3,065,927.86
Total	48,279,992.16	43,073,020.07

The ageing analysis of the Company's accounts receivable is based on the month in which the amounts are actually incurred, and those that are incurred first are given priority for settlement when the funds are recovered.

XVI. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

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

	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Accounts receivable with provision for bad debts on individual basis	4,873,715.26	9.09	4,873,715.26	100.00		5,315,384.45	11.52	2,657,692.23	50.00	2,657,692.22
Including:										
Medical fees due from patients	4,873,715.26	9.09	4,873,715.26	100.00		5,315,384.45	11.52	2,657,692.23	50.00	2,657,692.22
Accounts receivable with provision for bad debts on the grouping basis	48,767,668.85	90.91	487,676.69	1.00	48,279,992.16	40,823,563.48	88.48	408,235.63	1.00	40,415,327.85
Including:										
Overdue days grouping	48,767,668.85	90.91	487,676.69	1.00	48,279,992.16	40,823,563.48	88.48	408,235.63	1.00	40,415,327.85
Total	53,641,384.11	100.00	5,361,391.95		48,279,992.16	46,138,947.93	100.00	3,065,927.86		43,073,020.07

Accounts receivable with provision for bad debts on individual basis:

	Balance as at the end of the period			
Items	Book Balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Medical fees due from patients	4,873,715.26	4,873,715.26	100.00	Expected unrecoverable
Total	4,873,715.26	4,873,715.26		

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

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

Accounts receivable with provision for bad debts on the grouping basis:

	Balance as at the end of the period		
Items	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Overdue days grouping	48,767,668.85	487,676.69	1.00
Total	48,767,668.85	487,676.69	

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

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		Provided for	Recovered or reversed	Written-back or written-off	
Provision for bad debts made on individual basis	2,657,692.23	2,216,023.03			4,873,715.26
Provision for bad debts made on grouping basis	408,235.63	79,441.06			487,676.69
Total	3,065,927.86	2,295,464.09			5,361,391.95

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest receivable		
Dividends receivable	53,000,000.00	
Other receivables	547,014,558.58	492,034,884.26
Total	600,014,558.58	492,034,884.26

1. Dividends receivable

investee	Balance as at the end of the period	Balance at the end of previous year
Cangnan Kangning Hospital Co., Ltd.	33,000,000.00	
Yueqing Kangning Hospital Co., Ltd.	10,000,000.00	
Qingtian Kangning Hospital Co., Ltd.	10,000,000.00	
Subtotal	53,000,000.00	
Less: Provision for bad debts		
Total	53,000,000.00	

2. Other receivables

(1) Disclosure by age

Aging	Balance as at the end of the period	Balance at the end of previous year
Within 1 year	249,636,171.19	253,730,469.51
1 – 2 years	237,554,656.40	194,147,157.53
2 – 3 years	29,146,078.54	20,317,926.92
Over 3 years	30,904,134.11	23,962,391.34
Subtotal	547,241,040.24	492,157,945.30
Less: Provision for bad debts	226,481.66	123,061.04
Total	547,014,558.58	492,034,884.26

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

(3) Provision for bad debts

Provision for bad debts	Stage 1 12-month ECL	Stage 2 Lifetime ECL (No credit impairment)	Stage 3 Lifetime ECL (Credit-impaired)	Total
Balance as at the end of the previous year	123,061.04			123,061.04
Balance as at the end of the previous year that transferred/reversed in the current period				
—Transferred to stage 2				
—Transferred to stage 3				
—Reversed to stage 2				
—Reversed to stage 1				
Provision for the current period	103,420.62			103,420.62
Reversal in the current period				
Written back in the current period				
Written off in the current period				
Other changes				
Balance as at the end of the period	226,481.66			226,481.66

Changes in the book value of other receivables are as follows:

Book value	Stage 1 12-month ECL	Stage 2 Lifetime ECL (No credit impairment)	Stage 3 Lifetime ECL (Credit-impaired)	Total
Balance as at the end of the previous year	492,157,945.30			492,157,945.30
Balance as at the end of the previous year that transferred/reversed in the current period				
—Transferred to stage 2				
—Transferred to stage 3				
—Reversed to stage 2				
—Reversed to stage 1				
Addition for the current period	55,083,094.94			55,083,094.94
Derecognition for the current period				
Other changes				
Balance as at the end of the period	547,241,040.24			547,241,040.24

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

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

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		Provided for	Recovered or reversed	Written-back or written-off	
Provision for bad debts on the grouping	123,061.04	103,420.62			226,481.66
Total	123,061.04	103,420.62			226,481.66

(5) Other receivables by nature

Nature	Book value at the end of the period	Book value as at the end of the previous year
Amounts from related parties within the scope of consolidation	507,207,052.64	481,560,443.31
Placements	33,132,118.55	8,954,970.91
Deposits and guarantees	5,933,350.00	854,300.00
Others	968,519.05	788,231.08
Total	547,241,040.24	492,157,945.30

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	649,079,592.72		649,079,592.72	613,070,215.90		613,070,215.90
Investments in associates, joint venture	92,882,992.81		92,882,992.81	71,256,356.09		71,256,356.09
total	741,962,585.53		741,962,585.53	684,326,571.99		684,326,571.99

1. Investments in subsidiaries

Investees	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balance as at the end of the period	Provision for impairment for the current period	Impairment provision as at the end of the period
Shenzhen Yining Medical Investment Co., Ltd.	10,354,979.06			10,354,979.06		
Zhejiang Huangfeng Hospital Management Co., Ltd.	34,627,432.36		34,627,432.36			
Wenzhou Kangning Judicial Forensic Centre	500,000.00			500,000.00		
Zhejiang Kangning Hospital Management Co., Ltd.	203,344,031.86	1,322,222.01		204,666,253.87		
Cangnan Kangning Hospital Co., Ltd.	51,982,515.15	715,222.35		52,697,737.50		
Yueqing Kangning Hospital Co., Ltd.	1,832,112.13	301,146.25		2,133,258.38		
Yongjia Kangning Hospital Co., Ltd.	27,447,511.21	239,581.90		27,687,093.11		
Qingtian Kangning Hospital Co., Ltd.	32,626,079.15	230,565.10		32,856,644.25		
Linhai Kangning Hospital Co., Ltd.	2,110,854.98	188,216.41		2,299,071.39		
Wenzhou Cining Hospital Co., Ltd.	53,500,000.00			53,500,000.00		
Wenzhou Lucheng Yining Hospital Co., Ltd.	30,000,000.00			30,000,000.00		
Wenzhou Ouhai Yining Rehabilitation Hospital Co., Ltd.	10,000,000.00			10,000,000.00		
Pingyang Changgeng Yining Hospital Co., Ltd.	154,744,700.00			154,744,700.00		
Jinyun Shuning Hospital Co., Ltd.		26,684,900.00		26,684,900.00		
Yueqing Yining integrated Traditional and Western Medicine Hospital Co., Ltd.		40,954,955.16		40,954,955.16		
Total	613,070,215.90	70,636,809.18	34,627,432.36	649,079,592.72		

XVI. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments (continued)

2. Investment in associates and joint venture

Investees	Balance as at the end of the previous year	Changes in the current period								Balance as at the end of the period	Impairment provision as at the end of the period
		New investment	Decrease in investment	Investment profits and losses recognized under equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividend or profit distribution declared	Provision for impairment	Others		
Associates											
Hangzhou Anken Medical Technology Co., Ltd.	13,156,356.09			-4,287,457.64		5,310,451.69				14,179,350.14	
Wenzhou Longwan Yining Hospital Co., Ltd.	58,100,000.00		500,000.00							57,600,000.00	
Zhejiang Huangfeng Hospital Management Co., Ltd.				-1,090,147.47					22,193,790.14	21,103,642.67	
Total	71,256,356.09		500,000.00	-5,377,605.11		5,310,451.69			22,193,790.14	92,882,992.81	

Notes to the Financial Statements

For the year of 2022
(All amounts in RMB Yuan unless otherwise stated)

XVI. Notes to major items in the financial statements of the parent company (continued)

(IV) Revenue and cost of sales

1. Revenue and cost of sales

Items	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	337,586,514.02	264,978,847.50	365,462,139.23	270,930,179.07
Other businesses	5,554,936.61	45,300.00	4,336,166.89	559,209.63
Total	343,141,450.63	265,024,147.50	369,798,306.12	271,489,388.70

A breakdown of revenue:

Items	Amount for the period	Amount for the previous period
Pharmaceutical sales	90,612,303.06	93,506,118.66
Treatments and general healthcare services	246,974,210.96	271,956,020.57
Total	337,586,514.02	365,462,139.23

2. Description of performance obligations

The performance obligation of treatments and general healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

(V) Investment income

Items	Amount for the period	Amount for the previous period
Income from long-term equity investments under the cost method	54,584,000.00	1,980,000.00
Income from long-term equity investments under the equity method	-5,377,605.11	-3,485,811.81
Investment income from disposal of long-term equity investments	-18,462.42	
Investment income from financial assets held for trading during the holding period	714,348.18	6,429,189.35
Total	49,902,280.65	4,923,377.54

Wenzhou Kangning Hospital Co., Ltd.
(Stamped with official seal)
April 14, 2023

Definitions

"AGM"	the annual general meeting of the Company for the year 2022 to be convened and held in due course
"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 14 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
"Chun'an Kangning Hospital"	Chun'an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, one of the Company's indirect non-wholly owned subsidiaries
"Company" or "Wenzhou Kangning Hospital"	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
"Controlling Shareholders"	has the meaning ascribed to it under the Hong Kong Listing Rules and in this annual report, refers to Mr. GUAN Weili and Ms. WANG Lianyue

Definitions

"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"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
"Hangzhou Cining Hospital"	Hangzhou Cining Hospital Co., Ltd. (杭州慈寧醫院有限公司), a company established in the PRC with limited liability on November 18, 2017, one of the Company's indirect wholly owned subsidiaries
"Hangzhou Yining Hospital"	Hangzhou Yining Hospital Co., Ltd. (杭州怡寧醫院有限公司), a company established in the PRC with limited liability on August 25, 2016, which was one of the Company's indirect non-wholly owned subsidiaries. On July 30, 2022, the Company transferred the 28% equity interest in Hangzhou Yining Hospital indirectly held by it to Tongxiang Wuzhen Lianxin Lianyi Health Management Co., Ltd. (桐鄉烏鎮蓮芯蓮薏健康管理有限公司). Upon completion of such equity transfer, the Company indirectly held 33% equity interest in Hangzhou Yining Hospital
"Heze Yining Hospital"	Heze Yining Psychiatric Hospital Co., Ltd. (菏澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company's indirect non-wholly owned subsidiaries
"HK$" or "HKD"	the lawful currency of Hong Kong

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
"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
"Jerinte Health"	Zhejiang Jerinte Health Technology Co., Ltd. (浙江傑翎健康科技有限公司) (formerly know as Hangzhou Yelimi Information Technology Co., Ltd. (杭州耶利米信息科技有限公司)), a company established in the PRC with limited liability on December 27, 2018, one of the Company's indirect 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
"Jinpu Fund"	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)), a limited partnership established in the PRC on March 22, 2016 with the Company, as a limited partner, holding 3.5461% equity interests of Jinpu Fund
"Latest Practicable Date"	April 28, 2023, being the latest practicable date for inclusion of certain information in this annual report prior to its publication
"Lucheng Yining Hospital"	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company's direct non-wholly owned subsidiaries
"Linhai Cining Hospital"	Linhai Cining Hospital Co., Ltd. (臨海慈寧醫院有限公司), a company established in the PRC with limited liability on December 11, 2020, one of the Company's indirect wholly owned subsidiaries
"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 10 to the Hong Kong Listing Rules

Definitions

"Nanjing Yining Hospital"	Nanjing Yining Hospital Co., Ltd. (南京怡寧醫院有限公司), a company established in the PRC with limited liability on June 22, 2018, one of the Company's indirect non-wholly owned subsidiaries
"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
"Pujiang Yining Hospital"	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company's indirect non-wholly owned subsidiaries
"PRC" or "China"	the People's Republic of China which, for the purpose of this annual report, excludes Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress of the PRC on December 28, 2013 and effective on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)
"Prospectus"	the prospectus of the Company dated November 10, 2015
"Qingtian Kangning Hospital"	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company's wholly owned subsidiaries
"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

Definitions

"The Reporting Period" or "Reporting Period"	the year ended December 31, 2022
"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
"Taizhou Kangning Hospital"	Taizhou Kangning Hospital Co., Ltd. (台州康寧醫院有限公司), a company established in the PRC with limited liability on June 30, 2016, one of the Company's indirect non-wholly owned subsidiaries

Definitions

"Wenling Nanfang Hospital"	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd. (溫嶺南方精神疾病專科醫院有限公司), a company established in the PRC with limited liability on June 20, 2018, one of the Company's indirect non-wholly owned subsidiaries
"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

温州康