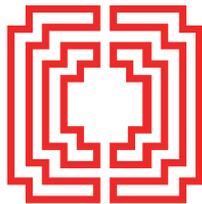


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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2025

1 INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the financial year ended December 31, 2025 (the “**Reporting Period**”) with comparative figures for the previous financial year, i.e. financial year ended December 31, 2024.
- 1.2 The financial statements (the “**Financial Statements**”) of the Group for the Reporting Period are prepared in accordance with China Accounting Standards for Business Enterprises.

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the year ended December 31,	
	2025 (RMB'000)	2024 (RMB'000)
Revenue	1,619,784	1,654,289
Profit before income tax	69,219	68,099
Income tax expenses	32,615	17,702
Net profit	36,604	50,398
Net profit attributable to Shareholders of the Company	54,396	65,610
Non-controlling interests	-17,792	-15,212
	As at December 31, 2025 (RMB'000)	As at December 31, 2024 (RMB'000)
Total assets	3,025,567	3,004,953
Total liabilities	1,713,937	1,661,651
Total equity	1,311,630	1,343,302
Equity attributable to Shareholders of the Company	1,187,819	1,223,013
Non-controlling interests	123,811	120,289
	For the year ended December 31,	2024 (RMB'000)
	2025 (RMB'000)	
Net cash generated from operating activities	439,970	99,639
Net cash used in investing activities	-203,913	-172,055
Net cash generated from financing activities	-203,584	-76,917
Net increase in cash and cash equivalents	32,442	-149,491

3 BUSINESS REVIEW AND OUTLOOK

3.1 Business Review

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

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

Psychiatric Healthcare Business

Revenue declined under pressure but overall operation stable and controllable

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

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

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

Elderly Healthcare Business

Preliminary implementation of systematic construction and gradual release of growth drivers

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

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

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

3.2 Business Highlights

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

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

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

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

3.3 Business Outlook

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

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

Prospect

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

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

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

4.1.1 Revenue and Cost of Revenue

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

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

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

Revenue and cost of revenue from operating its owned hospitals

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

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

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

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

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

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

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

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

Psychiatric healthcare business

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

	For the year ended December 31,	
	2025	2024
Total treatment and general healthcare services revenue (RMB'000)	<u>834,441</u>	<u>889,154</u>
Total pharmaceutical sales revenue (RMB'000)	<u>213,113</u>	<u>218,115</u>

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

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

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

Elderly healthcare business

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

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

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

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

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

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

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

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

Revenue from other healthcare related business

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

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

Other revenue not related to healthcare business

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

4.1.2 Gross Profit and Gross Profit Margin

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

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

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

4.1.3 Tax and Surcharge

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

4.1.4 Selling Expenses

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

4.1.5 Administrative Expenses

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

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

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

4.1.6 Research and Development Expenses

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

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

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

4.1.7 Finance Expenses – Net

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

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

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

4.1.8 Investment Gains

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

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

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

4.1.9 Credit Impairment Losses

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

4.1.10 Asset Impairment Losses

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

4.1.11 Non-Operating Income and Non-Operating Expenses

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

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

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

4.1.12 Income Tax Expense

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

4.2 Financial Position

4.2.1 Inventory

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

4.2.2 Accounts Receivable

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

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

4.2.3 Other Receivables and Prepayments

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

4.2.4 Long-term Equity Investments

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

4.2.5 Other Non-current Financial Assets

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

4.2.6 Fixed Assets

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

4.2.7 Construction in Progress

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

4.2.8 Right-of-use Assets

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

4.2.9 Intangible Assets

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

4.2.10 Goodwill

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

4.2.11 Long-term Prepaid Expenses

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

4.2.12 Deferred Tax Assets

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

4.2.13 Accounts Payable

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

4.2.14 Receipts in Advance

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

4.2.15 Other Payables

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

4.3 Liquidity and Capital Resources

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

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

4.3.1 Net Cash Generated from Operating Activities

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

4.3.2 Net Cash Used in Investing Activities

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

4.3.3 Net Cash Generated from Financing Activities

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

4.3.4 Significant Investment, Acquisition and Disposal

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

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

4.4 Indebtedness

4.4.1 Bank Borrowings

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

4.4.2 Contingent Liabilities

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

4.4.3 Asset Pledge

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

4.4.4 Lease Liabilities

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

4.4.5 Financial Instruments

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

4.4.6 Exposure to Fluctuation in Exchange Rates

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

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

4.4.7 Gearing Ratio

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

4.4.8 Employees and Remuneration Policy

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

4.4.8.1 Equity Incentive Scheme

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

Under the Equity Incentive Scheme, participants of the first actual grant comprised a total of 165 persons, with 1,818,529 incentive shares being granted. Participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares being granted. Participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 incentive shares being granted. As of the date of this announcement, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. As of the date of this announcement, participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 incentive shares proposed to be granted had been granted. The incentive shares granted accounted for 3.4944% of the total issued share capital of the Company (excluding the H Shares repurchased but not yet cancelled by the Company) as of the date of this announcement, and were unlocked at one time after 48 months from the date of grant at the grant price of RMB10.47 per share.

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

4.4.8.2H Share Award and Trust Scheme

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

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

Under the H Share Award and Trust Scheme, the selected participants (including connected persons) of the first actual grant comprised a total of 36 persons, with 364,100 award shares being granted. The selected participants (including connected persons) of the second phase of the actual grant comprised a total of 36 persons, with 616,000 incentive shares being granted. The selected participants (including connected persons) of the third phase of the actual grant comprised a total of 52 persons, with 335,000 award shares being granted. As of the date of this announcement, a total of 10 participants exited, corresponding to a total of 92,000 award shares. As of the date of this announcement, the selected participants of the actual grant under the H Share Award and Trust Scheme comprised 98 persons, and a total of 1,240,100 award shares had been granted, and 12,750 shares had been forfeited. The award shares granted accounted for approximately 1.7615% of the total issued share capital of the Company (excluding the H Shares repurchased but not yet cancelled by the Company) as of the date of this announcement. For details of the grant plan, please refer to the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

5 SIGNIFICANT EVENTS

5.1 Proposed Final Dividend

The Board has recommended the payment of a Proposed Final Dividend. Based on the total share capital (excluding the H Shares repurchased but not yet cancelled by the Company) before the record date determined by the implementation of the proposed distribution of profit for the year 2025 (as of the date of this announcement, the Company's total share capital is 72,358,900 Shares. After deducting 1,959,800 H Shares repurchased but not yet cancelled by the Company, the total issued share capital amounted to 70,399,100 shares), all Shareholders will be paid a cash dividend of RMB3.2 (inclusive of tax) per 10 Shares of the Company, with the total proposed cash dividend amounting to RMB22,527,712 (inclusive of tax), representing 41.4% of the net profit attributable to shareholders of the parent company as set out in the consolidated statement of accounts for the Reporting Period (the total amount of interim dividend and Proposed Final Dividend for 2025 is RMB35,271,550, representing 64.8% of the net profit attributable to shareholders of the parent company as set out in the consolidated statement of accounts for the reporting period). The Proposed Final Dividend will be denominated and declared in RMB, payable in RMB to holders of Domestic Shares and in HKD to holders of H Shares. The exchange rate for the Proposed Final Dividend payable in HKD is the average of the benchmark exchange rates of HKD against RMB as announced by the People's Bank of China for the five business days prior to the date of declaration of the Proposed Final Dividend (i.e. the date of the annual general meeting of the Company). The proposed distribution of profit for the year 2025 is subject to the consideration and approval of the Company at the AGM of the Company.

Subject to the approval of the Proposed Final Dividend by the Shareholders at the forthcoming AGM, it is expected that the payment date of the Proposed Final Dividend will be no later than July 8, 2026. The Company will announce in due course the date of the AGM and the time of the closure of the register of members of the H Shares for the purpose of determining the list of Shareholders entitled to attend and vote at the AGM and to qualify for the Proposed Final Dividend.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementing regulations, which came into effect on January 1, 2008, the Company is required to withhold and pay on behalf of the Shareholders of non-resident enterprises whose names appear on the register of members of the Company's H-Shareholders the enterprise income tax at a rate of 10% on the distribution of cash dividends. Any H Shares registered in the name of non-individual Shareholders (including in the name of Hong Kong Securities Clearing Company (Nominees) Limited, other nominees, agents or trustees or other organizations or bodies) are regarded as Shares held by non-resident enterprise Shareholders. Accordingly, dividends payable to such Shareholders are subject to withholding corporate income tax. If H Shareholders wish to change their status as Shareholders, please contact the nominee or trustee for the relevant procedures. The Company will withhold corporate income tax on behalf of the relevant Shareholders whose names appear on the register of members of the H Shares on the Record Date in strict accordance with the law or as required by the relevant government authorities.

If the individual holders of H Shares are residents of Hong Kong or Macau or residents of countries which have entered into relevant tax agreements with the PRC in respect of the distribution of cash dividends to them at a rate of 10%, the Company will withhold personal income tax at a rate of 10% on behalf of the relevant Shareholders. If an individual holder of H Shares is a resident of a country which has entered into a tax agreement with the PRC at a tax rate lower than 10% on dividends, the Company will withhold personal income tax at a rate of 10% on behalf of the relevant Shareholder. In such case, if the relevant individual holder of H Shares wishes to apply for a refund of the excess tax withheld as a result of the application of the 10% tax rate, the Company may process the application on behalf of the relevant individual holder in accordance with the relevant preferential tax agreement, provided that the relevant Shareholder submits to Computershare Hong Kong Investor Services Limited the supporting information as required by the notice of the tax agreement. Upon approval by the competent tax authorities, the Company will assist in refunding the excess tax withheld. If an individual holder of H Shares is a resident of a country which has entered into a tax agreement with the PRC with a dividend tax rate higher than 10% but lower than 20%, the Company will withhold and pay on behalf of the individual income tax at the effective tax rate under the relevant tax agreement. If the individual holder of H Shares is a resident of a country that has entered into a tax agreement with the PRC with a dividend tax rate of 20%, or a resident of a country in which the PRC has not entered into any tax agreement, or otherwise, the Company will withhold and pay personal income tax at the rate of 20%.

As of December 31, 2025, no Shareholders has waived or agreed to waive any dividends.

6 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Share Repurchases could have increased net asset value per Share and/or earnings per Share, which was in the interests of the Company and the Shareholders as a whole, the Company repurchased a total of 2,270,900 Shares for an aggregate consideration of HKD24,515,933.18 on the Hong Kong Stock Exchange (the “Repurchased Shares”). Details of the Repurchased Shares are as follows:

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

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

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

7 REVIEW OF ANNUAL RESULTS

The Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (the chairlady of the Audit Committee) and Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao. Among them, Ms. ZHONG Wentang has the appropriate professional qualification (a Chinese certified public accountant accredited by the Chinese Institute of Certified Public Accountants).

The Audit Committee has reviewed the Group's annual results for the financial year ended December 31, 2025 and opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

8 COMPLIANCE WITH CG CODE

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

9 COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as a code of conduct of the Company for its Directors' and Supervisors' securities transactions in the Company. Having made specific enquiry of all Directors and Supervisors of the Company, the Directors and the Supervisors of the Company have complied with the requirements set out in the Model Code during the Reporting Period.

10 EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated February 5, 2026 and March 2, 2026 (the “**Announcements**”), in respect of which, to the best of the knowledge, information and belief of the Board of the Company, the public float of the Company is approximately 24.11%, which falls below the requirements of Rule 8.08 and Rule 19A.28B of the Hong Kong Listing Rules that at least 25% (the “**Minimum Prescribed Percentage**”) of the total issued shares of the Company must be held by the public.

As stated in the Announcements, the Company has submitted an application to the CSRC as at August 21, 2025 in respect of the conversion of 9,286,359 domestic Shares into H Shares of the Company. Upon completion of the full circulation of Shares, the Company will meet the Minimum Prescribed Percentage.

The Company will continue to monitor the issue of insufficient public float and will make monthly announcements in accordance with the Hong Kong Listing Rules to keep Shareholders and the market informed of the progress made in restoring the public float.

In addition to the above, there were no significant subsequent events occurred to the Group since the end of the Reporting Period to the date of this announcement.

11 AUDITORS AND WORKING SCOPE

The consolidated financial statements of the Group for 2025, which have been prepared in accordance with China Accounting Standards for Business Enterprises have been audited by BDO, who has issued a standard audit report with unqualified opinions on the consolidated financial statements.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in Shareholders’ equity and the related notes thereto for the year ended December 31, 2025 as set out in the announcement have been agreed by BDO, to the amounts set out in the Group’s audited consolidated financial statements for 2025. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the announcement.

12 FINANCIAL REPORT

12.1 Accounting Policies

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

The financial statements are prepared on a going concern basis.

12.1.1 Changes in significant accounting policies and accounting estimates

12.1.1.1 Changes in significant accounting policies

On July 8, 2025, the Ministry of Finance issued the Accounting Treatment Implementation Q&A for Standard Warehouse Receipt Transactions, expressly specifying that under the standard for recognition and measurement of financial instruments, when an enterprise frequently enters into contracts in respect of the purchase and sales of standard warehouse receipts in a futures trading venue to earn price differences, without actually taking delivery of the goods corresponding to the standard warehouse receipts, it typically indicates that the enterprise has a practice of reselling the contract subject shortly after receiving it to profit from short-term price fluctuations, and the enterprise shall consider the contracts in respect of the purchase and sales of standard warehouse receipts as financial instruments and account for them in accordance with the standard for recognition and measurement of financial instruments. If an enterprise resells standard warehouse receipts shortly after receiving them in accordance with the aforementioned contracts, it shall not be recognized as sales revenue, and the difference between the consideration received and the carrying amount of the standard warehouse receipts sold shall be recognized as investment income. If an enterprise holds unsold standard warehouse receipts at the end of the period, such receipts shall be presented as other current assets. For standard warehouse receipts received in accordance with the aforementioned contracts, the enterprise may elect to measure them at fair value through profit or loss upon initial recognition, which shall be applied consistently to all qualified warehouse receipts, provided that the accounting mismatch can be eliminated or significantly reduced. For standard warehouse receipts elected upon initial recognition to be measured at fair value through profit or loss, the enterprise shall not revoke such election in subsequent periods.

According to the “Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Preparing the 2025 Annual Report” (《關於嚴格執行企業會計準則切實做好企業2025年年報工作的通知》) (Cai Kuai [2025] No.33), when an enterprise adjusts its accounting treatments due to implementation of the above requirements in relation to the standard warehouse receipts, it shall adjust the comparable information contained in the financial statements.

The adoption of such provisions had no impact on the financial conditions and operating results of the Company, since the Company was not involved in any standard warehouse receipt transactions during the Reporting Period.

12.1.1.2 Changes in significant accounting estimates

During the Reporting Period, there were no changes in the Company’s principal accounting estimates.

12.2 Annual Consolidated Financial Information

The annual consolidated financial information of the Group prepared in accordance with the China Accounting Standard for Business Enterprises is set out as follows:

12.2.1 Annual Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Items	For the year ended	
	December 31, 2025	2024
I. Total revenue	1,619,784,411	1,654,289,413
Including: Revenue	1,619,784,411	1,654,289,413
Interest income	-	-
Premium income	-	-
Fees and commissions income	-	-
	=====	=====
II. Total cost of sales	1,529,179,445	1,549,653,899
Including: Cost of sales	1,200,715,218	1,215,885,486
Interest expenses	-	-
Fees and commissions expenses	-	-
Surrenders	-	-
Net claims expenses	-	-
Net provisions for insurance Contracts reserve	-	-
Insurance policy dividend paid	-	-
Reinsurance costs	-	-

Items	For the year ended December 31,	
	2025	2024
Taxes and surcharges	11,246,125	12,336,886
Selling and distribution expenses	7,732,206	9,972,500
General and administrative expenses	233,105,855	227,346,205
Research and development expenses	30,123,957	36,519,661
Financial expenses	46,256,084	47,593,160
Including: Interest expenses	39,058,495	41,601,182
Interest income	842,391	3,122,806
Add: Other income	23,553,877	13,253,819
Investment income (losses represented with “-” signs)	3,352,762	754,877
Including: Investment income from associates and joint ventures	-1,463,514	-1,089,495
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)	-3,021,733	-269,736
Credit impairment losses (losses represented with “-” signs)	-6,584,873	-26,454,998
Asset impairment losses (losses represented with “-” signs)	-25,455,745	-16,495,930
Gains from disposal of assets (losses represented with “-” signs)	2,384,033	-69,932
	<u>84,833,286</u>	<u>75,353,614</u>
III. Operating profit (losses represented with “-” signs)	84,833,286	75,353,614
Add: Non-operating income	1,321,588	1,528,901
Less: Non-operating expenses	16,935,850	8,783,029
	<u>69,219,025</u>	<u>68,099,486</u>
IV. Total profit (Total losses represented with “-” signs)	69,219,025	68,099,486
Less: Income tax expenses	32,615,101	17,701,775
	<u>36,603,923</u>	<u>50,397,711</u>
V. Net profit (net losses represented with “-” signs)	36,603,923	50,397,711
(I) Classified by continuity of operations		
1. Classified by continuity of operations (net losses represented with “-” signs)	36,603,923	50,397,711
2. Net profit from discontinued operations (net losses represented with “-” signs)	-	-
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (net losses represented with “-” signs)	54,395,980	65,610,189
2. Non-controlling interests (net losses represented with “-” signs)	-17,792,057	-15,212,477

Items	For the year ended December 31, 2025		2024
VI. Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the parent company, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit and loss			
1. Changes arising from remeasurement of defined benefit plan	-		-
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method	-		-
3. Changes in fair value of other equity instrument investments	-		-
4. Changes in fair value due to the enterprise's own credit risk	-		-
(II) Other comprehensive income that can be reclassified to profit and loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	-		-
2. Changes in fair value of other debt investments	-		-
3. Amount of financial assets reclassified into other comprehensive income	-		-
4. Credit impairment provisions for other debt investments	-		-
5. Reserves for cash flow hedges	-		-
6. Exchange difference on translation of financial statements in foreign currencies	-		-
7. Others	-		-
Other comprehensive income attributable to non-controlling interests, net of tax	-		-
	<u>-</u>		<u>-</u>
VII. Total comprehensive income	36,603,923		50,397,711
Attributable to shareholders of the parent company	54,395,980		65,610,189
Attributable to non-controlling interests	-17,792,057		-15,212,477
	<u>-17,792,057</u>		<u>-15,212,477</u>
VIII. Earnings per Share:			
(I) Basic Earnings per Share (RMB per Share)	0.76		0.88
(II) Diluted Earnings per Share (RMB per Share)	0.76		0.88
	<u>0.76</u>		<u>0.88</u>

12.2.2 Annual Consolidated Balance Sheets

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	December 31, 2025	December 31, 2024
Current assets:		
Cash at bank and on hand	294,039,861	261,749,011
Settlement deposits	–	–
Placements with banks and other financial institutions	–	–
Financial assets held for trading	8,573,388	7,938,322
Derivative financial assets	–	–
Notes receivable	1,486,565	663,799
Accounts receivable	462,939,570	571,812,957
Receivables financing	–	–
Advances to suppliers	15,792,569	14,713,963
Premium receivable	–	–
Reinsurance accounts receivable	–	–
Provision for reinsurance contract receivable	–	–
Other receivables	77,790,656	81,354,942
Financial assets purchased for resale	–	–
Inventories	46,032,543	50,629,131
Contract assets	–	–
Assets held for sale	–	–
Non-current assets due within one year	–	–
Other current assets	25,380,696	5,859,354
Total current assets	932,035,847	994,721,479
Non-current assets:		
Granted loans and advances	–	–
Debt investments	–	–
Other debt investments	–	–
Long-term accounts receivable	–	14,000,000
Long-term equity investments	95,912,392	99,413,985
Investment in other equity instruments	–	–
Other non-current financial assets	28,123,066	36,755,116
Investment properties	–	–
Fixed assets	1,159,366,940	889,544,442
Construction in progress	13,091,855	185,164,227
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use assets	192,354,108	161,821,445
Intangible assets	285,757,258	291,535,792

ASSETS	December 31, 2025	December 31, 2024
Development expenditure	–	–
Goodwill	126,454,938	114,158,434
Long-term prepaid expenses	121,609,291	150,407,031
Deferred tax assets	55,346,816	56,197,545
Other non-current assets	15,514,861	11,233,664
	<hr/>	<hr/>
Total non-current assets	2,093,531,524	2,010,231,682
	<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS	3,025,567,371	3,004,953,161
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2025	December 31, 2024
Current liabilities:		
Short-term borrowings	109,243,677	91,000,000
Borrowings from central bank	–	–
Placements from banks and other financial institutions	–	–
Financial liabilities held for trading	1,805,503	14,000,000
Derivative financial liabilities	–	–
Notes payable	–	–
Accounts payable	160,803,092	131,936,380
Receipts in advance	23,327,087	21,319,198
Contract liabilities	161,105	49,771
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	84,431,493	85,747,297
Taxes payable	35,809,004	39,128,084
Other payables	91,859,119	81,287,433
Fees and commissions payable	–	–
Reinsurance accounts payable	–	–
Liabilities held for sale	–	–
Non-current liabilities due within one year	201,407,510	229,270,444
Other current liabilities	3,214,867	615,218
	<hr/>	<hr/>
Total current liabilities	712,062,458	694,353,825
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2025	December 31, 2024
Non-current liabilities:		
Provision for insurance contracts	–	–
Long-term borrowings	746,952,957	691,017,337
Bonds payable	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Lease liabilities	148,475,651	151,300,063
Long-term payables	47,419,833	76,236,879
Long-term employee benefits payables	–	–
Estimated liabilities	–	–
Deferred income	18,206,515	8,430,307
Deferred tax liabilities	40,820,058	40,313,059
Other non-current liabilities	–	–
	<hr/>	<hr/>
Total non-current liabilities	<u>1,001,875,015</u>	<u>967,297,645</u>
	<hr/>	<hr/>
Total liabilities	<u>1,713,937,473</u>	<u>1,661,651,470</u>
	<hr/>	<hr/>
Shareholders' equity:		
Share capital	72,358,900	72,670,000
Other equity instruments	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Capital surplus	760,645,327	790,024,238
Less: Treasury stock	47,815,625	22,366,849
Other comprehensive income	–	–
Special reserves	–	–
Surplus reserve	38,399,577	38,399,577
Provision for general risks	–	–
Retained earnings	364,230,300	344,285,828
Total equity attributable to shareholders of the parent company	1,187,818,478	1,223,012,795
Non-controlling interests	123,811,420	120,288,896
	<hr/>	<hr/>
Total shareholders' equity	<u>1,311,629,898</u>	<u>1,343,301,691</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,025,567,371</u>	<u>3,004,953,161</u>

12.2.3 Annual Consolidated Statements of Cash Flow
(All amounts in RMB Yuan unless otherwise stated)

Items	For the year ended December 31,	
	2025	2024
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,772,490,027	1,387,505,398
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	73,327,922	46,542,855
Sub-total of cash inflows of operating activities	1,845,817,950	1,434,048,253
Cash paid for goods and services	570,409,686	536,137,779
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	664,306,093	642,555,983
Payments of taxes and surcharges	58,559,038	63,003,045
Cash paid relating to other operating activities	112,573,575	92,712,942
Sub-total of cash outflows of operating activities	1,405,848,392	1,334,409,749
Net cash flows from operating activities	439,969,558	99,638,504

Items	For the year ended December 31,	
	2025	2024
II. Cash flows from investing activities		
Cash received from disposal of investments	14,540,026	34,242,179
Cash received from returns on investments	12,086	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	173,820	1,844,120
Net cash received from disposal of subsidiaries and other business units	–	2,000,000
Cash received relating to other investing activities	13,000,000	–
Sub-total of cash inflows of investing activities	27,725,932	38,086,299
Cash paid to acquire fixed assets, intangible assets and other long-term assets	189,507,952	192,178,989
Cash paid to acquire investments	1,200,000	17,020,000
Net increase in pledged loans	–	–
Net cash paid to acquire subsidiaries. and other business units	27,901,903	–
Cash paid relating to other investing activities	13,029,193	942,428
Sub-total of cash outflows of investing activities	231,639,048	210,141,417
Net cash flows from investing activities	-203,913,116	-172,055,118
III. Cash flows from financing activities		
Cash received from capital contributions	14,000,000	7,210,500
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	14,000,000	7,210,500
Cash received from borrowings	433,102,530	448,460,250
Cash received relating to other financing activities	850,000	60,000,000
Sub-total of cash inflows of financing activities	447,952,530	515,670,750
Cash repayments of borrowings	400,626,910	367,013,827
Cash payments for distribution of dividends, profit or interest expenses	74,417,907	74,654,124
Including: Cash payments for distribution of dividends and profit by subsidiaries to non-controlling shareholders	1,515,124	2,923,034
Cash paid relating to other financing activities	176,491,833	150,919,617
Sub-total of cash outflows of financing activities	651,536,650	592,587,568
Net cash flows from financing activities	-203,584,120	-76,916,818

Items	For the year ended December 31,	
	2025	2024
IV. Effect of foreign exchange rate changes on cash and cash equivalents	<u>-30,315</u>	<u>-157,162</u>
V. Net increase in cash and cash equivalents	32,442,007	-149,490,595
Add: Cash and cash equivalents at the beginning of the period	<u>255,232,744</u>	<u>404,723,339</u>
VI. Cash and cash equivalents at the end of the period	<u>287,674,751</u>	<u>255,232,744</u>

12.2.4 Consolidated Statement of Changes in Shareholders' Equity

(All amounts in RMB Yuan unless otherwise stated)

Items	Other equity instruments				Amount for the current period Equity attributable to owners of the parent company								Non - controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
						Treasury stock								
I. Balance as at the end of the previous year	72,670,000	-	-	-	790,024,238	22,366,849	-	-	38,399,577	-	344,285,828	1,223,012,795	120,288,896	1,343,301,691
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	72,670,000	-	-	-	790,024,238	22,366,849	-	-	38,399,577	-	344,285,828	1,223,012,795	120,288,896	1,343,301,691
III. Increases/decreases in the current period ("-" for decreases)	-311,100	-	-	-	-29,378,911	25,448,777	-	-	-	-	19,944,472	-35,194,316	3,522,524	-31,671,793
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	54,395,980	54,395,980	-17,792,057	36,603,923
(II) Owner contribution and capital	-311,100	-	-	-	1,564,386	25,448,777	-	-	-	-	-	-24,195,490	25,399,704	1,144,214
1. Common stock contributed by owners	-311,100	-	-	-	-2,939,299	25,448,777	-	-	-	-	-	-28,699,175	25,399,704	-3,359,471
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners' equity	-	-	-	-	4,503,685	-	-	-	-	-	-	4,503,685	-	4,503,685
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Items	Other equity instruments				Amount for the current period Equity attributable to owners of the parent company								Non - controlling interests	Total owners' equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:		Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal			
						Treasury stock	Other comprehensive income								
(III) Distribution of profits											-34,451,508	-34,451,508	-4,025,124	-38,476,632	
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Withdrawal of provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Profit distributed to owners (or Shareholders)											-34,451,508	-34,451,508	-4,025,124	-38,476,632	
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4. Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(V) Special reserves															
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(VI) Others					-30,943,298							-30,943,298		-30,943,298	
IV. Balance as at the end of the period	72,358,900				760,645,327	47,815,625			-	38,399,577		364,230,300	1,187,818,479	123,811,420	1,311,629,898

Items	Amount for the previous period													
	Other equity instruments				Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: comprehensive income	Other Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
I. Balance as at the end of the previous year	74,600,300	-	-	-	852,695,602	12,587,012	-	-	38,399,577	-	311,956,229	1,265,064,696	143,141,251	1,408,205,947
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combinations under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at the beginning of the current year	74,600,300	-	-	-	852,695,602	12,587,012	-	-	38,399,577	-	311,956,229	1,265,064,696	143,141,251	1,408,205,947
III. Increases/decreases in the current period (“-” for decreases)	-1,930,300	-	-	-	-62,671,364	9,779,837	-	-	-	-	32,329,599	-42,051,902	-22,852,354	-64,904,256
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	65,610,189	65,610,189	-15,212,477	50,397,712
(II) Owner contribution and capital decrease	-1,930,300	-	-	-	-27,437,605	9,779,837	-	-	-	-	-	-39,147,741	-4,748,360	-43,896,101
1. Common stock contributed by owners	-	-	-	-	-31,435,114	9,779,837	-	-	-	-	-	-41,214,951	-4,748,360	-45,963,311
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in owners’ equity	-	-	-	-	3,997,510	-	-	-	-	-	-	3,997,510	-	3,997,510
4. Others	-1,930,300	-	-	-	-	-	-	-	-	-	-	-1,930,300	-	-1,930,300

Items	Other equity instruments				Amount for the previous period Equity attributable to owners of the parent company								Non – controlling interests	Total owners’ equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less:		Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
						Treasury stock	Other comprehensive income							
(III) Distribution of profits	-	-	-	-	-	-	-	-	-	-	-33,280,590	-33,280,590	-2,891,517	-36,172,107
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-33,280,590	-33,280,590	-2,891,517	-36,172,107
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of owners’ equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-35,233,759	-	-	-	-	-	-	-35,233,759	-	-35,233,759
IV. Balance as at the end of the period	72,670,000	-	-	-	790,024,238	22,366,849	-	-	38,399,577	-	344,285,828	1,223,012,795	120,288,896	1,343,301,691

12.3 Notes to the Consolidated Annual Financial Information prepared in accordance with the China Accounting Standard for Business Enterprises

12.3.1 Accounts receivable

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

	December 31, 2025 RMB	December 31, 2024 RMB
Within 1 year	461,352,555	576,106,514
1-2 years	25,588,614	20,258,896
2-3 years	8,844,668	4,413,822
Over 3 years	7,368,906	4,766,339
Subtotal	503,154,743	605,545,571
Less: Provision for bad debts	40,215,173	33,732,614
Total	462,939,570	571,812,957

Accounts receivable shown by classification of bad debt provisions

	December 31, 2025				
	Balance of carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for bad debts on the individual basis	15,171,844	3.0	15,171,844	100.0	0.00
Including:					
Amount due from patients	15,171,844	3.0	15,171,844	100.0	0.00
Accounts receivable with provision for bad debts on the grouping basis	487,982,899	97.0	25,043,329	5.1	462,939,570
Including:					
Overdue days grouping	487,982,899	97.0	25,043,329	5.1	462,939,570
Total	503,154,743	100.0	40,215,173	8.0	462,939,570

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

12.3.2 Accounts payable

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

	December 31, 2025 RMB	December 31, 2024 RMB
Within 1 year	156,277,715	127,861,415
1-2 years	2,848,067	3,124,362
2-3 years	1,229,010	751,142
Over 3 years	448,301	199,461
Total	160,803,092	131,936,380

12.3.3 Revenue and cost of sales

Analysis of revenue and cost of sales

	For the year ended December 31, 2025		For the year ended December 31, 2024	
	Revenue	Cost	Revenue	Cost
Main businesses	1,448,705,601	1,074,924,943	1,517,773,042	1,125,416,715
Other businesses	171,078,810	125,790,275	136,516,371	90,468,771
Total	1,619,784,411	1,200,715,218	1,654,289,413	1,215,885,486

Breakdown of revenue:

	For the year ended December 31,	
	2025	2024
Revenue from main businesses	1,448,705,601	1,517,773,042
Including: Pharmaceutical sales	304,326,145	331,193,218
Treatments and general healthcare services	1,144,379,456	1,186,579,824
Revenue from other businesses	171,078,810	136,516,371
Including: Wholesale and retail revenue of pharmaceutical and equipment	107,370,317	90,137,875
Management service	2,368,851	2,970,297
Rental income	2,577,689	595,122
Rendering of services	36,811,653	16,136,947
Others	21,950,300	26,676,130
Total	<u>1,619,784,411</u>	<u>1,654,289,413</u>

12.3.4 Credit impairment losses

	For the year ended December 31,	
	2025	2024
Losses on bad debts of accounts receivable	14,485,650	19,116,072
Losses on bad debts of other receivables	-7,900,776	7,338,926
Total	<u>6,584,873</u>	<u>26,454,998</u>

12.3.5 Earnings per Share

Basic earnings per Share

	For the year ended December 31,	
	2025	2024
Consolidated net profit attributable to the ordinary shareholders of the parent company	54,395,980	65,610,189
Weighted average number of outstanding ordinary Shares of the Company	71,953,133	74,278,583
Basic earnings per Share	0.76	0.88
Including: Basic earnings per Share from continuing operations	0.76	0.88
Basic earnings per Share from discontinued operations	—	—

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):

	For the year ended December 31,	
	2025	2024
Consolidated net profit attributable to the ordinary shareholders of the parent company (diluted)	54,395,980	65,610,189
Weighted average number of outstanding ordinary Shares of the Company (diluted)	71,953,133	74,278,583
Diluted earnings per Share	0.76	0.88
Including: Diluted earnings per Share from continuing operations	0.76	0.88
Diluted earnings per Share from discontinued operations	–	–

12.3.6 Income tax expenses

Table of income tax expenses

	For the year ended December 31,	
	2025	2024
Current income tax expenses	29,205,810	35,746,101
Deferred income tax expenses	3,409,292	-18,044,326
Total	<u>32,615,101</u>	<u>17,701,775</u>

12.3.7 Dividend

On March 23, 2026, the Board proposed a cash dividend of RMB3.2 (inclusive of tax) per 10 Shares to all Shareholders of the Company, based on the total share capital before the record date determined by the implementation of the proposed distribution of profit for the year 2025 (excluding the number of Shares repurchased but not yet cancelled by the Company). As of the date of this announcement, the Company's total share capital is 72,358,900 Shares. After deducting 1,959,800 H Shares repurchased but not yet cancelled by the Company, the total cash dividend proposed for distribution is provisionally RMB22,527,712 (inclusive of tax). The proposed dividend is subject to approval at an extraordinary general meeting.

On August 12, 2025, the Board proposed an interim dividend of RMB13,024,602 (inclusive of tax) to all Shareholders of the Company for the six months ended June 30, 2025, calculated on the basis of the total share capital of 72,358,900 Shares before the record date determined by the implementation of the 2025 interim profit distribution plan. The proposed dividend was approved at the first extraordinary general meeting for the year 2025 of the Company on October 15, 2025.

On March 28, 2025, the Board proposed a final dividend of RMB3 (inclusive of tax) per 10 Shares to all Shareholders of the Company for the year ended December 31, 2024, totaling RMB21,801,000 (inclusive of tax), calculated on the basis of 72,670,000 Shares of the Company in issue as at December 31, 2024. The proposed dividend was approved at the annual general meeting for the year 2024 of the Company held on June 30, 2025.

13 DEFINITIONS

“AGM”	the annual general meeting of the Company for the year 2025 to be convened in due course
“Audit Committee”	the audit committee of the Board
“Beijing Yining Hospital”	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), a company established in the PRC with limited liability on August 17, 2015, one of the Company's indirect non-wholly owned subsidiaries
“Board”	the board of directors of the Company
“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2120)
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
“Group” or “we” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of The Stock Exchange of Hong Kong Limited
“HK\$” or “HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huainan Kangning Hospital”	Huainan Kangning Hospital Co., Ltd. (淮南康寧醫院有限公司), a company established in the PRC with limited liability on September 22, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Longquan Kangning Hospital”	Longquan Kangning Hospital Co., Ltd. (龍泉康寧醫院有限公司), a company established in the PRC with limited liability on February 6, 2023, one of the Company’s indirect wholly owned subsidiaries
“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
“Luqiao Cining Hospital”	Taizhou Luqiao Cining Hospital Co., Ltd. (台州市路橋慈寧醫院有限公司, previously known as Taizhou Yining Hospital Co., Ltd.(台州市路橋怡寧醫院有限公司)), a company established in the PRC with limited liability on December 12, 2016, one of the Company’s indirect non-wholly owned subsidiaries

“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021, one of the Company’s wholly owned subsidiaries
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Final Dividend”	the proposed final dividend distribution plan of RMB3.2 (inclusive of tax) per 10 Shares for the year ended December 31, 2025 subject to the approval by the Shareholders at the AGM as described under the section headed “Proposed Final Dividend” of this announcement
“Quzhou Yining Hospital”	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“RMB”	the lawful currency of the PRC
“Share(s)”	Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Reporting Period”	the year ended December 31, 2025
“treasury shares”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“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

“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. (怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company’s indirect wholly owned subsidiaries
“Yongjia Kangning Hospital”	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company’s wholly owned subsidiaries
“%”	percentage ratio

By Order of the Board
Wenzhou Kangning Hospital Co., Ltd.
GUAN Weili
Chairman

Zhejiang, the PRC
March 23, 2026

As of the date of this announcement, the Company’s executive Directors are Mr. GUAN Weili, Ms. WANG Lianyue and Mr. WANG Jian; the non-executive Directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-executive Directors are Ms. ZHONG Wentang, Ms. JIN Ling and Mr. CHAN Sai Keung Hugo.