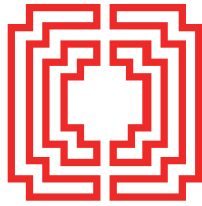


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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

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

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)	2024 (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 competition and uncertainty of the external environment, the domestic medical industry has entered a critical phase in the reform of medical insurance payment as further promoted, the industry competition landscape has continuously restructured, and the social medical service has accelerated to transform into standardization and specialization. Facing this situation, the multiple internal and external pressures notwithstanding, the Group adhered to the development strategy of psychiatric healthcare as the foundation and adhered to healthcare as the strategic growth outlet, targeting quality and efficiency improvement, operational excellence, and stable company management to manage business development, risk prevention and control and ongoing reform, 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 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 operating hospitals (December 31, 2024: 32), including an independent established mental hospital (including the Intensive Mental 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 profitability of the business was under obvious pressure. However, with the increasing regard and for psychiatric healthcare, being a long-term special operation capabilities and good regional brand advantages, the Group actively deepened external impacts through standardized operation, differentiated positioning, refined management and cost reduction to effectively enhance the performance. The overall operation momentum of the psychiatric healthcare business remained stable, and its core fundamentals remained solid.

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, disciplinary construction and scientific research innovation, and industry synergy, which further enhanced its core competitiveness, and overall presented a sound development trend of stable foundation, fostering growth drivers, strengthening barriers and optimizing structure.

In the field of digital transformation, the Group promoted high-quality development through digital empowerment, comprehensively upgraded the generation of Hospital Information System, electronic medical record and the healthcare and support system, and promoted 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 efficient operations and comprehensive management.

In the field of disciplinary construction and scientific research innovation, the Group was approved for 3 projects under Zhongyuan Province's Top Soldiers (尖兵), Leading Geese (领雁) and R&D Breakthrough Program; the company's attention on scientific and technological innovation was reflected as the first batch of substantial but strong concentration and innovation in Zhongyuan Province, the 22 diagnosis and treatment technologies/projects were added, 45 SCI papers were published, and 1 international patent was granted throughout the year.

In the field of industrial synergy, Zhongyuan Pharmaceutical Technology Co., Ltd., a subsidiary of the Group, was awarded as a Zhongyuan Provincial Special and Sophisticated Enterprises and a Leading Enterprises. Meanwhile, synergy with the Zhongyuan Dening Pharmaceutical Co., Ltd. and Zhongyuan Pharmaceutical Technology Co., Ltd., both being our subsidiaries, and other industrial sectors, gradually building a diversified support system with the pharmaceutical industry, information, psycho-geriatrics, and forming a network out of industrial 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 higher 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 diseases and geriatric diseases, the Group's operating results will be affected adversely;
- (ii) Risk relating to shortage of professional medical practitioners. 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, we are unable to recruit or maintain adequate medical staff, especially face difficulties to provide patients with the desired medical services, which in turn adversely affect our operating results; and
- (iii) Risk relating to failure to obtain qualifications and licenses used for our operations. Healthcare facilities are required to obtain the medical practice licenses for carrying out their businesses, which usually has a valid period and requires regular inspections by the regulator authorities. If the healthcare facilities of the Group are unable to obtain the licenses in the future due to poor management or non-compliance with operation, our operating results will be affected adversely.

Prospect

In 2026, although the uncertain factors in the recovery of the global economy, and normalized price control over domestic medical insurance and pharmaceutical competition continue to bring short-term continuous decline of public healthcare services and the constant deepening of population aging in China, as a foundation for the long-term rapid growth and the psychotropic healthcare and other healthcare businesses. Meanwhile, the development of social healthcare is obvious in adhering to high standards of quality, 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 adheres to the general principle of seeking progress while maintaining stability, and making breakthroughs in innovation, and accelerating the transformation of its development model from scale expansion to connotation improvement and efficient operation. The Group continues to uphold the core values of being sincere and serving the human, staying true to the essence of healthcare services, and pursuing the development of Specialization and Innovation, Quality Improvement and Efficiency Enhancement. Being a leading general medicine enterprise in operations, the Group sees the development opportunities arising from the trends of psychotropic healthcare and other healthcare, and fulfills its responsibilities as a medical practice to the better and healthier healthcare services to the long-term stable value for shareholders.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

The group recorded revenue of ₹ B1,619.8 million during the reporting period, representing a decrease of 2.1% from 2024, of which revenue from the operation of owned hospitals amounted to ₹ B1,448.7 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 ₹ B419.1 million, representing a decrease of 4.4% from 2024. Net profit attributable to Shareholders of the Company for the reporting period was ₹ B54.4 million, representing a decrease of 17.1% from 2024. During the reporting period, the group's net cash generated from operating activities was ₹ B440.0 million (2024: ₹ B99.6 million), representing an increase of ₹ B340.3 million from 2024.

4.1.1 Revenue and Cost of Revenue

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

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

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

Revenue and cost of revenue from operating hospitals

Revenue from operating 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 consideration for medical services provided by the Group, mainly including medical insurance settlement difference.

The table below sets forth a breakdown of the Billing Revenue of the Group's operating hospitals added to operating revenue by hospitals healthcare business and other healthcare business for the periods indicated:

	For the year ended December 31,	
	2025 (RMB'000)	2024 (RMB'000)
Billing Revenue from revenue for the periods indicated:		
healthcare business		
Revenue from		
healthcare business	595	

During the reporting period, the Group's total hospital billing revenue amounted to RMB1,479.0 million, representing a decrease of 6.5% from 2024, primarily due to the decrease in inpatient revenue and average outpatient spending per visit and average inpatient spending per day per bed. During the reporting period, the variable cost ratio was RMB30.3 million, representing a decrease of RMB34.0 million from 2024, and the variable cost ratio as a percentage of billing revenue decreased to 2.1% (2024: 4.1%).

The table sets forth a breakdown of the billing revenue, cost of revenue and gross profit of the Group's total hospital business by characteristic healthcare business and elderly healthcare business for the periods indicated:

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

During the reporting period, the billing revenue of total 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 Wenhong Hospital, Eratr Hospital, Gong'an Hospital, Guang Chang Hospital and Beijing Hospital. During the reporting period, the gross profit of the Group's total hospitals increased by RMB11.5% 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 inpatient and outpatient by psychiatric healthcare business and other healthcare business for the periods indicated, the relevant operating data:

Psychiatric healthcare business

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

	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 B ring revenue from the psychiatric business as RMB78.8 million, representing a decrease of 5.9% from 2024, mainly due to the decline in the growth rate of inpatient hospitalization including inpatient, long-term inpatient, temporary inpatient, day hospital, day clinic and day treatment, and the decline in the number of inpatient psychiatric business by 6.2% as compared with the same period in 2024. Inpatient B ring revenue of the psychiatric business accounted for 83.9% (2024: 84.3%) of the B ring revenue of the psychiatric business.

During the reporting period, outpatient B ring revenue from the psychiatric business

Elderly healthcare business

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

During the reporting period, inpatient BNG revenue from the day care hospital 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 day care hospital business at the rates of hospital compared to 2024 due to adjustments of business structure. Inpatient BNG revenue from the day care hospital business accounted for 94.9% (2024: 92.6%) of the BNG revenue from the day care hospital business.

During the reporting period, outpatient BNG revenue from the day care hospital business amounted to RMB22.1 million, representing an increase of 37.0% as compared to 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, offset from the decrease in outpatient business of Guangxi Changgong Hospital. Outpatient BNG revenue from the day care hospital business accounted for 5.1% (2024: 7.4%) of the BNG revenue from the day care hospital business.

During the reporting period, as the inpatient and outpatient segments under the day care hospital business both declined, BNG revenue from treatments and general hospital services under the general hospital business decreased by 9.8% from 2024, the proportion to the BNG revenue from the day care hospital business of owned hospitals decreased to 75.6% (2024: 76.2%), and the BNG revenue from pharmaceutical sales under the day care hospital business decreased by 7.0% as compared to 2024, accounting for 24.4% (2024: 23.8%) of the BNG revenue from the day care hospital business. In particular, the proportion of inpatient BNG revenue from pharmaceutical sales to the total inpatient BNG revenue from the day care hospital business increased to 22.7% (2024: 21.3%), and the proportion of outpatient BNG revenue from pharmaceutical sales to the total outpatient BNG revenue from the day care hospital 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 pensions, depreciation and amortization of long-term assets, canteen pensions and staffing 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 (RMB'000)	2024 (RMB'000)
Pharmaceuticals and consumables used	300,340	340,120
Employee benefits and pensions	472,192	464,874
Depreciation and amortization of long-term assets	105,477	127,032
Canteen pensions	67,903	68,571
Staffing fees	10,700	16,112
Others	118,313	108,708
Cost of revenue of owned hospitals	1,074,925	1,125,417

During the reporting period, the cost of revenue of the group's owned hospitals

	For the year ended December 31,	
	2025	2024
Other hospital business	25.8%	25.9%
Service hospital business	30.2%	29.4%
Edr hospital business	15.4%	17.8%
Other business	26.5%	33.7%
Consolidated gross profit margin	25.9%	26.5%

During the reporting period, consolidated gross profit margin of the group decreased to 25.9% (2024: 26.5%).

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 hospital property tax of service hospital and property tax as 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 promotional expenses relating to pharmaceutical companies, Internet hospitals and other non-hospital business. The proportion of selling expenses to the net operating income of hospital 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, consumables expenses, traveling 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
Consumables expenses	9,423	9,037
Traveling expenses	4,661	4,978
Others	46,903	49,537
Total administrative expenses	233,106	227,346

During the reporting period, the administrative expenses of the group amounted to RMB233.1 million, representing an increase of 2.5% as compared with 2024, which was mainly due to an increase in employee benefits and expenses of 5.8% as compared with 2024. The proportion of the administrative expenses to the net operating income of hospital 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 contract research, development of information 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 (RMB'000)	2024 (RMB'000)
Contract research	23,313	25,088
Development of information 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 ordinary hospitals of the Group decreased to 2.1% (2024: 2.4%).

4.1.7 Finance Expenses – Net

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

	For the year ended December 31,	
	2025 (RMB'000)	2024 (RMB'000)
Interest income	-842	-3,123
Foreign exchange losses	30	157
Bank borrowing interest expense	27,289	33,143
Interest expense on lease assets	11,522	8,458
Interest expense 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 which 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 cost method and gains on disposal of long-term investments and investment gains in equity method products. The table sets forth the breakdown of our investment gains for the periods indicated:

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

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 (RMB'000)	2024 (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 an increase of RMB0.2 million as compared to 2024. During the reporting period, the non-operating expenses of the Group increased to RMB8.2 million as compared to 2024, mainly due to the increase of RMB1.5 million on expenses on medical disputes as compared to 2024 and the increase of RMB9.0 million on other non-operating expenses as compared to 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 to 2024. The increase was mainly due to the fact that deferred tax assets were utilized to offset losses or were sold upon maturity. In 2025 and 2024, our effective tax rates were 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 ₹ B46.0 million (as of December 31, 2024: ₹ B50.6 million), mainly including the stock of inventory and turnover ratio.

4.2.2 Accounts Receivable

As of December 31, 2025, the balance of accounts receivable amounted to ₹ B462.9 million (as of December 31, 2024: ₹ B571.8 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 of receivables in the ending financial accounts as a result of the decrease in the pre-settlement amount due to the change in pre-settlement rates of the stock of new stock settlement rate 0.25 T 0 -1.167 Td (the stock of new stock settlement rate 2.333 Td Dur 0.02

4.2.7 Construction in Progress

As of December 31, 2025, the balance of construction in progress amounted to ₱ B13.1 million (as of December 31, 2024: ₱ B185.2 million). The decrease in construction in progress was mainly due to the transfer upon completion of the construction projects of such long-term ospita and long-term angning ospita.

4.2.8 Right-of-use Assets

As of December 31, 2025, right-of-use assets increased to ₱ B192.4 million (as of December 31, 2024: ₱ B161.8 million).

4.2.9 Intangible Assets

As of December 31, 2025, intangible assets decreased to ₱ B285.8 million (as of December 31, 2024: ₱ B291.5 million).

4.2.10 Goodwill

As of December 31, 2025, goodwill increased to ₱ B126.5 million (as of December 31, 2024: ₱ B114.2 million).

4.2.11 Long-term Prepaid Expenses

As of December 31, 2025, long-term prepaid expenses decreased to ₱ B121.6 million (as of December 31, 2024: ₱ B150.4 million), mainly attributable to the depreciation expenses of ₱ B9.7 million and the amortization of decoration costs of ₱ B38.0 million during the reporting period.

4.2.12 Deferred Tax Assets

As of December 31, 2025, deferred tax assets decreased to ₱ B55.3 million (as of December 31, 2024: ₱ B56.2 million).

4.2.13 Accounts Payable

As of December 31, 2025, accounts payable increased to ₱ B160.8 million (as of December 31, 2024: ₱ B131.9 million).

4.2.14 Receipts in Advance

As of December 31, 2025, receipts in advance and contract liabilities not as of RMB23.3 million (as of December 31, 2024: RMB21.3 million).

4.2.15 Other Payables

As of December 31, 2025, other payables not as of RMB91.9 million (as of December 31, 2024: RMB81.3 million).

4.3 Liquidity and Capital Resources

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

	For the year ended December 31,	
	2025 (RMB'000)	2024 (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	<u>32,442</u>	<u>-149,491</u>

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 long-term engineering projects, including engineering projects and other construction projects.

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 as RMB34.5 million and the cash outflow from share repurchases used for cancellation as 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 an specific plan from the authoritat on from the Board on significant investment 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 Wenhong Hospital registered real estate property certificate number of Wenhong Hospital Building D Street No. 826751, Wenhong Hospital Building D Street No. 826750, Zhong (2016) Wenhong Real Estate Rights No. 0010144, Zhong (2016) Wenhong Real Estate Rights No. 0010142, Zhong (2021) Wenhong Real Estate Rights No. 0081628, Wenhong (2015) No. 1-11836, and Wenhong (2015) No. 1-11833 to Shanghai Bank Wenhong Branch and Zhong (2017) Cangnan County Real Estate Rights No. 0018361 to ICBC Bank Ouha Sub-branch for obtaining bank loans. As of December 31, 2025, the balance of such pledged borrowings amounted to RMB385.2 million. Wenhong Hospital registered real estate property certificate number of Zhong (2020) Wenhong Real Estate Rights No. 0068897 to BOCO Wenhong Commercial City Sub-branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB112.0 million. Jinun Shun Hospital registered real estate property certificate number of Zhong (2022) Jinun Real Estate Rights No. 0002503 and the buildings and other attachments on the ground certificate number of Jan Z No. 331122202000043 to Zhong Jinun Rural Commercial Bank Wuhun Sub-branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB35.0 million. Quhong Hospital registered real estate property certificate number of Zhong (2022) Quhong Real Estate Rights No. 0045588 to China CITIC Bank Wenhong Branch. As of December 31, 2025, the balance of such pledged borrowing amounted to RMB57.8 million. Wuhong Hospital registered real estate property certificate number of Zhong (2023) Wuhong Real Estate Rights No. 0004112 to China CITIC Bank Wenhong 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 undisputed lease payments under non-cancelable lease agreements, after deducting an amount of RMB36.4 million which is due within one year, as 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 the risks to ensure effective measures are implemented in a timely manner.

4.4.6 Exposure to Fluctuation in Exchange Rates

The Group holds positions of its financial assets in foreign currencies, which may involve risks of fluctuation in the exchange rate of RMB against USD. 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 the position change rate risk. The management of the Company manages the exchange rate risk by closely monitoring the movement of foreign currency rates, and considers 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 pensions, social insurance scheme and housing provident fund scheme borne by the Group). The remuneration of an employee is determined according 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 further motivate 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 Wenhong Hospital Co., Ltd. (the **Equity Incentive Scheme**), which has 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

4.4.8.2 *Share Award and Trust Scheme*

To attract, motivate and retain the skilled and experienced core backbone members of the technicians and management to continuous strive for the continuing operation and development of the Company in the future, in accordance with the requirements of the Company and 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 Share Award and Trust Scheme, which has considered and approved by the 2023 first extraordinary general meeting of the Company convened on September 27, 2023. The scheme contains the content of other shareholders, capital structure and the nature of the share 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 Share Award and Trust Scheme, a trust deed has been entered into between the Company and the trustee. The trust has been constituted to serve the Share Award and Trust Scheme. The trustee shall assist the Company in the administration of the Share Award and Trust Scheme and shall, subject to the relevant provisions of the trust deed and upon the instruction of the Company, acquire Shares through on-market transactions and such Shares shall be acquired by the trust through the funds transferred by the Company and shall be taken and disposed of by the trustee at the Company's instructions. Such Shares under the 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 Share Award and Trust Scheme is granted or at the date on which the approval of updating the trust 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 the rules of the Share Award and Trust Scheme and the relevant provisions under the trust deed.

Under the Share Award and Trust Scheme, the selected participants (including connected persons) of the first actual grant comprised a total of 36 persons, the 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, the 616,000 new shares being granted. The selected participants (including connected persons) of the third phase of the actual grant comprised a total of 52 persons, the 335,000 award shares being granted. As of the date of this announcement, a total of 10 participants had, 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 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 Shares purchased 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 including the Shares purchased but not yet cancelled by the Company for the record date determined by the independent auditor 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 Shares purchased but not yet cancelled by the Company, the total issued share capital amounted to 70,399,100 shares), a Shareholders' meeting passed a cash dividend of RMB3.2 (inclusive of tax) per 10 Shares of the Company, 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 net 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 is denominated and declared in RMB, payable in RMB to holders of Domestic Shares and in USD to holders of Shares. The exchange rate for the proposed Final Dividend payable in USD is the average of the benchmark exchange rates of USD 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 consolidated resolution 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 announces in due course the date of the AGM and the terms of the closure of the register of members of the 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-Shares the enterprise income tax at a rate of 10% on the distribution of cash dividends. Any Shares registered in the name of non-individual Shareholders (including in the name of long-term securities clearing company (collectively), and 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 Shareholders wish to change their status as Shareholders, please contact the nominee or trustee for the relevant procedures. The Company withholds corporate income tax on behalf of the relevant Shareholders whose names appear on the register of members of the Shares on the Record Date in strict accordance with the law or as required by the relevant government authorities.

7 REVIEW OF ANNUAL RESULTS

The Audit Committee consists of two independent non-executive Directors, i.e. Mr. Zou Wuntang (the chairman of the Audit Committee) and Mr. Jiang, and one non-executive Director, i.e. Mr. Changhao. Among them, Mr. Zou Wuntang has the appropriate professional qualification (a Chinese certified public accountant according to 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 accounting treatments have been complied with and that additional 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 read specifically in the presence 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

Refer 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 ongoing 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 Shares of the Company. Upon completion of the full recultivation of Shares, the Company will then be in full compliance with the requirements.

The Company continues to monitor the issue of insufficient public float and will make monthly announcements in accordance with the ongoing listing rules to keep Shareholders and the market informed of the progress made in restoring the public float.

In addition to the above, there are 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 Chinese 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.

According to the Note on Structured Reporting the Accounting Standards for

Items	For the year ended	
	December 31, 2025	2024
Taxes and surcharges	11,246,125	12,336,886
Shipping and distribution expenses		

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 the measurement of defined benefit plan	-	-
2. Other comprehensive income that cannot be reclassified to profit or loss under the current method	-	-
3. Change in fair value of other equity instruments not available for sale	-	-
4. Change in fair value due to the net present value of non-current 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 current method	-	-
2. Change in fair value of other debt instruments	-	-
3. Amount of financial assets reclassified into other comprehensive income	-	-
4. Credit impairment provisions for other debt instruments	-	-
5. Gains or losses for cash flow hedges	-	-
6. Exchange differences on translation of financial statements in foreign currencies	-	-
7. Others	-	-
Other comprehensive income attributable to non-controlling interests, net of tax	-	-
VII. Total comprehensive income	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
VIII. Earnings per Share:		
(I) Basic Earnings per Share (元/股)	0.76	0.88
(II) Diluted Earnings per Share (元/股)	0.76	0.88

12.2.2 Annual Consolidated Balance Sheets

(Amounts in \$ B. uan ure ss oth r e sta d)

December 31, 2013

ASSETS	December 31, 2025	December 31, 2024
Due on sale of property	—	—
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
Total non-current assets	2,093,531,524	2,010,231,682
TOTAL ASSETS	3,025,567,371	3,004,953,161
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	—	—
Accounts from banks and other financial institutions	—	—
Financial liabilities held for trading	1,805,503	14,000,000
Derivative financial liabilities	—	—
Accounts payable	—	—
Accounts payable	160,803,092	131,936,380
Deposits in advance	23,327,087	21,319,198
Contract liabilities	161,105	49,771
Financial assets sold under repurchase agreements	—	—
Deposit of deposits and deposits from other banks	—	—
Funds received as agent of stock exchange	—	—
Funds received as stock under repurchase	—	—
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	—	—
Insurance 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
Total current liabilities	712,062,458	694,353,825

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

12.2.3 Annual Consolidated Statements of Cash Flow

(Amounts in B. uan ure ss oth r s stat d)

Items	For the year ended December 31,	
	2025	2024
I. Cash flows from operating activities		
Cash e e d from s s of goods or r ng of s r v e s	1,772,490,027	1,387,505,398
e t n e as n custo r d pos ts and n r bank d pos ts	—	—
e t n e as n borro ngs from e ntra bank	—	—
e t n e as n p a e e nts from oth r f nanc a nst tut ons	—	—
Cash e e d from or g na nsuranc contract p r u u u	—	—
e t cash e e d from nsuranc bus n ss	—	—
e t n e as n d pos ts and n e st e nts from po c ho d rs	—	—
Cash e e d from n e sts, f e s and co u ss ons	—	—
e t n e as n p a e e nts from banks and oth r f nanc a nst tut ons	—	—
e t n e as n cash from purchas bus n ss	—	—
e t cash e e d from s cur e s brok rag s r v e s	—	—
a fund of tae s and e v e s	—	—
Cash e e d e at ng to oth r op rat ng act v e s	73,327,922	46,542,855
Sub-total of cash inflows of operating activities	1,845,817,950	1,434,048,253
Cash pa d for goods and s r v e s	570,409,686	536,137,779
e t n e as n custo r oans and advanc s	—	—
e t n e as n d pos ts th e ntra bank and oth r banks	—	—
Cash pa d for comp nsat on und r or g na nsuranc contract	—	—
e t n e as n p a e e nts th banks and oth r f nanc a nst tut ons	—	—
Cash pa d for n e sts, f e s and co u ss ons	—	—
Cash pa d for po c ho d rs' d v d nds	—	—
Cash pa d to and on b ha f o e u p o e e s	664,306,093	642,555,983
a e nts of tae s and surcharg s	58,559,038	63,003,045
Cash pa d e at ng to oth r op rat ng act v e s	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 businesses	-	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 cash paid for disposals	-	-
Net cash paid to acquire subsidiaries and other businesses	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 payments of borrowings	400,626,910	367,013,827
Cash payments for distribution of dividends, profit or net settlements	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

(Amounts in '000 B. 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	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal		
						Treasury stock	comprehensive income							
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
Use: Change 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. Increase/decrease in the current period														
(I) for decrease	-311,100	-	-	-	-29,378,911	25,448,777	-	-	-	-	19,944,472	-35,194,316	3,522,524	-31,671,793
(II) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	54,395,980	54,395,980	-17,792,057	36,603,923
(III) Other contribution and capital increase	-311,100	-	-	-	1,564,386	25,448,777	-	-	-	-	-	-24,195,490	25,399,704	1,144,214
1. Common stock contributed by others	-311,100	-	-	-	-2,939,299	25,448,777	-	-	-	-	-	-28,699,175	25,399,704	-3,359,471
2. Capital reserved by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments recognized in the current period	-	-	-	-	4,503,685	-	-	-	-	-	-	4,503,685	-	4,503,685
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Items	Other equity instruments				Amount for the current period								Non – controlling interests	Total owners’ equity		
	Share capital	Preferred shares	Perpetual bonds	Others	Equity attributable to owners of the parent company											
					Capital reserve	Less:		Treasury stock	comprehensive income	Special reserve	Surplus reserve	Provision for general risk			Retained earnings	Subtotal
						Other										

(III) D s5.021

Units	Other unit instruments			Amount for the previous period	
	Share capital	Preferred shares	Perpetual bonds	Other	Attributable to owners of the parent company
					Less:
				Capital	Treasury stock
				Less:	Preferred

Items	Amount for the previous period														
	Other equity instruments				Equity attributable to owners of the parent company										
	Share capital	Preferred shares	Repurchase bonds	Others	Capital reserve	Essential:			Special reserve	Surplus reserve	Provisions for general risk	Retained earnings	Subtotal	Controlling interests	Total owners' equity
						Treasury stock	Comprehensive income	Other							
(III) Distribution of profits	-	-	-	-	-	-	-	-	-	-	-	-33,280,590	-33,280,590	-2,891,517	-36,172,107
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of provisions 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) Income carried 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. Carried forward of changes in the defined benefit plan for retirement earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Carried forward of other comprehensive income for retirement earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Sag for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-35,233,759	-	-	-	-	-	-	-	-35,233,759	-	-35,233,759
IV. Balance 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 receivable is based on the following dates 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	<u>503,154,743</u>	<u>605,545,571</u>
Less: provision for bad debts	40,215,173	33,732,614
Total	<u>462,939,570</u>	<u>571,812,957</u>

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:					
Ordinary grouping	<u>487,982,899</u>	<u>97.0</u>	<u>25,043,329</u>	<u>5.1</u>	<u>462,939,570</u>
Total	<u>503,154,743</u>	<u>100.0</u>	<u>40,215,173</u>	<u>8.0</u>	<u>462,939,570</u>

	December 31, 2024				
	Balance of carrying amount		Provisions for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Accounts receivable with provisions 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 provisions for bad debts on the grouping basis	593,170,465	98.0	21,394,823	3.6	571,775,642
Including:					
Other data 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 following data 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	<u>448,301</u>	<u>199,461</u>
Total	<u>160,803,092</u>	<u>131,936,380</u>

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 business	1,448,705,601	1,074,924,943	1,517,773,042	1,125,416,715
Other business	<u>171,078,810</u>	<u>125,790,275</u>	<u>136,516,371</u>	<u>90,468,771</u>
Total	<u>1,619,784,411</u>	<u>1,200,715,218</u>	<u>1,654,289,413</u>	<u>1,215,885,486</u>

Breakdown of revenue:

	For the year ended December 31,	
	2025	2024
Revenue from main business	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 business	171,078,810	136,516,371
Including: Wholesale and retail of pharmaceuticals and parent	107,370,317	90,137,875
analogous services	2,368,851	2,970,297
financial income	2,577,689	595,122
and other services	36,811,653	16,136,947
Others	21,950,300	26,676,130
Total	1,619,784,411	1,654,289,413

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	6,584,873	26,454,998

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	—	—

Distribution per Share

Distribution per Share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company (divided by the weighted average number of outstanding ordinary Shares of the Company (divided):

	For the year ended December 31,	
	2025	2024
Consolidated net profit attributable to the ordinary shareholders of the parent company (divided by weighted average number of outstanding ordinary Shares of the Company (divided)	54,395,980	65,610,189
Distribution per Share	0.76	0.88
Including: Distribution per Share from continuing operations	0.76	0.88
Distribution 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>

Impact on before tax profit and income tax expense

	For the year ended December 31,	
	2025	2024
Total profit	<u>69,219,025</u>	<u>68,099,487</u>
Income tax expense calculated at the statutory rates	10,382,854	13,700,455
Impact of different tax rates applicable to subsidiaries	7,485,630	-43,611
Adjustment to impact of income tax of past periods	-1,844,266	1,468,471
Impact of non-taxable income	568,437	-
Impact of non-deductible costs, expenses and losses	3,163,935	6,053,711
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-7,294,445	-12,352,475
Impact of deductible unreported expenses or deductible losses for which deferred income tax assets are not recognized in the current period	25,822,435	16,429,655
Addtional deduction of research and development expenses	-4,497,890	-5,605,853
Impact of business combination involving entities not under common control	-1,171,588	-10,362
Others	<u>-</u>	<u>-1,938,216</u>
Income tax expense	<u><u>32,615,101</u></u>	<u><u>17,701,775</u></u>

12.3.7 Dividend

On March 23, 2026, the Board proposed a cash dividend of RMB3.2 (net us\$ of ta\$) per 10 Shares to a Shareholders of the Company, based on the total share capital for the record date determined by the supermajority of the proposed distribution of profit for the year 2025 including the number of Shares purchased but not yet canceled 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 Shares purchased but not yet canceled by the Company, the total cash dividend proposed for distribution is provisionally RMB22,527,712 (net us\$ of ta\$). The proposed dividend is subject to approval at the extraordinary general meeting.

On August 12, 2025, the Board proposed an interim dividend of RMB13,024,602 (net us\$ of ta\$) to a 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 for the record date determined by the supermajority 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 (net us\$ of ta\$) per 10 Shares to a Shareholders of the Company for the year ended December 31, 2024, totaling RMB21,801,000 (net us\$ of ta\$), 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

A	the annual general meeting of the Company for the year 2025 to be convened during course
Audit Committee	the audit committee of the Board
Beijing Ningning Hospital	Beijing Ningning Hospital Co., Ltd. (北京怡寧醫院有限公司), a company established in the PRC the independent on August 17, 2015, one of the Company's indirect non- wholly owned subsidiaries
Board	the board of directors of the Company
Company or Wenhuan Hospital	Wenhuan Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the Shares of which are listed on the Shanghai Stock Exchange of Hong Kong Limited (Stock Code : 2120)
CC Code	the Corporate or name 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, the 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 an stock exchange
Group or e or our	the Company and its subsidiaries
Share (s)	overseas listed foreign new listed ordinary Share (s) in the ordinary share capital of the Company, the nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange of Hong Kong Limited
\$ or D	the functional currency of Hong Kong
ong ong	the Hong Kong Special Administrative Region of the PRC
ong ong st ng s	the shares owning the listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
ong ong Stock E chang	The Stock Exchange of Hong Kong Limited
uanan angn ng osp ta	uanan angn ng osp ta Co., Ltd. (淮南康寧醫院有限公司), a company established in the PRC the listed abt on September 22, 2017, one of the Company's indirect non- wholly owned subsidiaries
J n un Shun ng osp ta	J n un Shun ng osp ta Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC the listed abt on February 15, 2019, one of the Company's non- wholly owned subsidiaries
ong uan angn ng osp ta	ong uan angn ng osp ta Co., Ltd. (龍泉康寧醫院有限公司), a company established in the PRC the listed abt on February 6, 2023, one of the Company's indirect wholly owned subsidiaries
uch ng n ng osp ta	W n hou uch ng n ng osp ta Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC the listed abt on April 2, 2020, one of the Company's direct non- wholly owned subsidiaries
u ao C n ng osp ta	Ta hou u ao C n ng osp ta Co., Ltd. (台州市路橋慈寧醫院有限公司, previously known as Ta hou n ng osp ta Co., Ltd. (台州市路橋怡寧醫院有限公司)), a company established in the PRC the listed abt on December 12, 2016, one of the Company's indirect non- wholly owned subsidiaries

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B Ord r of th Board
Wenzhou Kangning Hospital Co., Ltd.
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arch 23, 2026

As of th dat of th s announ e nt, th Compan 's e cut e D ctors ar r. A W , s.
WA an u and r. WA Jan; th none e cut e D ctors ar r. QI ao and r. I
Changhao; and th nd p nd nt none e cut e D ctors ar s. Z O W ntang, s. JI ng
and r. C A Sa e ung ugo.