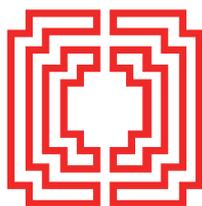


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溫州康寧醫院股份有限公司

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, 2022

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, 2022 (the “**Reporting Period**”) with comparative figures for the previous financial year, i.e. financial year ended December 31, 2021.
- 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.
- 1.3 During the Reporting Period, the Group had certain matters that required retrospective correction because of prior period accounting errors. The financial data of 2021 has been restated accordingly. For details, please refer to the section headed “SIGNIFICANT EVENTS – Correction of previous accounting errors” in this announcement.

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the year ended December 31,		
	2022	2021	
	(RMB'000)	(RMB'000)	(Restated)
Revenue	1,484,903	1,297,430	
Profit before income tax	15,605	95,691	
Income tax expenses	26,574	54,831	
Net profit	-10,969	40,860	
Net profit attributable to shareholders of the Company	-24,221	44,036	
Non-controlling interests	13,252	-3,176	
	As of	As of	As of
	December 31,	December 31,	January 1,
	2022	2021	2021
	(RMB'000)	(RMB'000)	(RMB'000)
		(Restated)	(Restated)
Total assets	2,637,787	2,377,955	2,161,262
Total liabilities	1,311,885	1,097,676	946,349
Total equity	1,325,903	1,280,279	1,214,913
Equity attributable to shareholders of the Company	1,201,585	1,208,264	1,122,248
Non-controlling interests	124,318	72,015	92,635
		For the year ended December 31,	
		2022	2021
		(RMB'000)	(RMB'000)
Net cash generated from operating activities		227,221	193,896
Net cash used in investing activities		-273,615	-239,049
Net cash generated from financing activities		116,178	33,833
Net increase in cash and cash equivalents		69,861	-11,358

3 BUSINESS REVIEW AND OUTLOOK

3.1 Business Review

In 2022, in the face of challenges arising from a general slowdown in China’s economic growth and enhanced epidemic prevention and control measures, the Group seized the important opportunity of “Healthy China Initiative”. While unswervingly grasping the prevention and control of the COVID-19 pandemic (the “**Pandemic**”), with high-quality development as the theme, medical safety as the core, and laying a solid academic foundation, the Group achieved healthy and sustainable business development by continuously improving the refined management model and strengthening the internal control management system, and made the following progress:

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

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

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

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

3.2 Business Highlights

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

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

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 2020 to 2022, reimbursement amount from public medical insurance accounted for 61.4%, 68.6% and 69.3% of the cash received from sales of goods and rendering of service for the respective years. If the Group's healthcare facilities are unable to maintain the qualification of designated medical insurance institutions in the future, or there are adverse changes on the national public medical insurance policy in respect of treatment of mental illness, the Group's operating results will be affected adversely;
- (ii) Risk relating to shortage of professional medical talents. Under the laws and regulations of the PRC, healthcare facilities shall maintain a certain number of medical staff. With the increase in the number of healthcare facilities of the Group, if we are unable to recruit or maintain adequate medical staff, we will face difficulties to provide patients with the desirable medical services, which in return will adversely affect our operating results; and
- (iii) Risk relating to failure to renew qualifications and licenses required for our operations. Healthcare facilities are required to obtain the medical practice license before carrying out their businesses, which usually has a valid period and requires regular inspections by the regulatory authorities. If the healthcare facilities of the Group are unable to renew their licenses in the future due to poor management or non-compliant operation, our operating results will be affected adversely.

Prospect

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

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

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

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

Revenue and cost of revenue from operating its owned hospitals

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

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

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

Note:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue from other healthcare related business

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

Other revenue not related to healthcare business

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

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 RMB352.9 million, representing an increase of 7.3% as compared with 2021. The gross profit of the owned hospitals businesses on operating income basis amounted to RMB326.7 million, representing an increase of 6.9% as compared with 2021. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the year ended	
	December 31,	
	2022	2021
Treatment and general healthcare services	27.4%	29.6%
Pharmaceutical sales	11.6%	10.7%
Owned hospitals businesses	23.9%	25.4%
Property and other businesses	22.2%	24.7%
Consolidated gross profit margin	23.8%	25.4%

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

4.1.3 Tax and Surcharge

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

4.1.4 Selling Expenses

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

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

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

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 following table sets forth a breakdown of the Group's research and development expenses for the periods indicated:

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

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

4.1.7 Finance Expenses – Net

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

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

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

4.1.8 Investment Income

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

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

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

4.1.9 Credit Impairment Losses

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

4.1.10 Asset Impairment Losses

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

4.1.11 Non-Operating Income and Non-Operating Expenses

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

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

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

4.1.12 Income Tax Expense

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

4.2 Financial Position

4.2.1 Inventory

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

4.2.2 Accounts Receivables

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

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

4.2.3 Other Receivables and Prepayments

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

4.2.4 Other Non-current Financial Assets

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

4.2.5 Construction in progress

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

4.2.6 Right-of-use Assets

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

4.2.7 Accounts Payables

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

4.2.8 Receipts in Advance and Contract Liabilities

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

4.2.9 Other Payables

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

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,	
	2022	2021
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	227,221	193,896
Net cash used in investing activities	-273,615	-239,049
Net cash generated from financing activities	116,178	33,833
Net increase in cash and cash equivalents	<u>69,861</u>	<u>-11,358</u>

4.3.1 Net Cash Generated from Operating Activities

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

4.3.2 Net Cash Used in Investing Activities

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

4.3.3 Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB116.2 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 authorisation from the Board on significant investment in or acquisition of capital assets.

4.4 Indebtedness

4.4.1 Bank Borrowings

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

4.4.2 Contingent Liability

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

4.4.3 Asset Pledge

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

4.4.4 Lease Liabilities

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

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 fluctuations in the exchange rate of HKD against RMB. The Group is exposed to foreign exchange risks accordingly.

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

4.4.7 Gearing Ratio

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

4.4.8 Employees and Remuneration Policy

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

4.4.8.1 Share Incentive Plan

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

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

5 SIGNIFICANT EVENTS

5.1 Dividend

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

5.2 Independent investigation related matters

Trading in the Company's shares has been suspended from April 1, 2022, which is due to (i) the ongoing independent investigation by the Company's independent investigation committee to resolve the outstanding issues referred to by PricewaterhouseCoopers Zhong Tian LLP ("PwC"), the former auditor of the Company, in its letter of resignation; and (ii) BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO"), the Company's current auditor, needs more time for the follow-up work in completing the audit procedures in relation to the annual results for the year ended December 31, 2021.

The unresolved issues referred to by PwC, the former auditor of the Company, in its resignation letter include: (1) findings on verification of cash flows in personal bank accounts of key financial personnel of the Company; (2) findings on verification of cash flows in personal bank account of a certain employee of the social work department of the Company; and (3) findings on verification of cash flows in personal bank account of a senior management officer of the Company.

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

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

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

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

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

1. Carrying out the necessary changes to the Board and the management of the Company;
2. Regarding the personal interests obtained by Ms. WANG Hongyue from Alleged Area III, the Company will consider commencing judicial proceedings for civil recovery against her after obtaining legal advice on the same;
3. Strengthening the use of external expert support;
4. Reassessing accounting treatment and making necessary corrections of prior accounting errors, if any;
5. Relevant treatment of the Indirect Investor and the Renovation Supplier and the Actual Controller involved in Alleged Area I and Alleged Area III;
6. Strengthening the internal control system and compliance supervision.

For details of the independent investigation, please refer to the announcement of the Company dated October 14, 2022.

5.3 Correction of previous accounting errors

As mentioned in paragraph 5.2 of this announcement, certain findings of the independent investigation may have an impact on the Company's disclosed financial statements for 2020 and 2021, therefore, the 38th Meeting of the 3rd Session of the Board of Directors and the 11th Meeting of the 3rd Session of the Supervisory Committee of the Company considered and approved the "Proposal for Reviewing the Correction of Previous Accounting Errors", pursuant to which the errors in the disclosed financial statements for 2021 were corrected as follows:

5.3.1 Reasons for and details of the correction of previous accounting errors

5.3.1.1 Recognition of the donation of RMB9.18 million in 2020 as non-operating income

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

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

(1) Consolidated Income Statement for 2020

(Unit: RMB, unless otherwise specified)

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

(2) Consolidated Balance Sheet for 2020

(Unit: RMB, unless otherwise specified)

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

(3) *Consolidated Financial Statement for 2021*

(Unit: RMB, unless otherwise specified)

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

Opinions of the Independent Non-executive Directors

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

Opinions of the Board

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

Opinions of the Supervisory Committee

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

Opinions of the Audit Committee

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

6 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Mr. LIU Ning, 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, 2022 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

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

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

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, except for the following:

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

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

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

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

- (1) communicating with Ms. Wang and reminding her that a Director must not deal in any securities of the Company without notifying in writing to the chairman or another Director (other than Ms. Wang herself) designated by the Board for this purpose and receiving a dated written acknowledgement;
- (2) reminding all Directors, Supervisors and senior management of the Company of their obligations in relation to dealings in securities as set out in the Model Code adopted by the Company;
- (3) planning to organise training sessions in the near future for all Directors, Supervisors and senior management of the Company.

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

The Company minimizes the scope of insiders before publication of such inside information. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the Black-out Period. The Company will file relevant information of such employees, including but not limited to the inside information, personal identity, securities account, the department such employees serve and their responsibilities, for Company's internal check and relevant regulatory authorities' inquiries. If such employees violate relevant laws and regulations, the Company will make the punishment decisions or transfer them to the judicial organs for handling in accordance with the law in accordance with the seriousness of the case.

10 EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events in the Group occurred 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 2022, 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, 2022 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 2022. 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 of Significant Accounting Policies

The Ministry of Finance issued the “Notice on Printing and Distributing the ‘Interpretation No. 15 of the Accounting Standards for Business Enterprises’” in 2021 and the “Notice on Printing and Distributing the ‘Interpretation No. 16 of Accounting Standards for Business Enterprises’” and the “Questions and Answers on the Implementation of Accounting Standards for Business Enterprises” in 2022 and 2023. The Company has adopted the implementation requirements and time of the above notices and implementation questions and answers to prepare the 2022 annual financial statements, and the above amendments have no material impact on the Company’s financial statements.

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	Year ended December 31,	
	2022	2021 (Restated)
I. Total revenue	1,484,903,042	1,297,430,370
Including: Revenue	1,484,903,042	1,297,430,370
Interest income	-	-
Premium income	-	-
Fees and commissions income	-	-
	=====	=====
II. Total cost of sales	1,435,161,134	1,226,514,556
Including: Cost of sales	1,131,971,943	968,432,456
Interest expenses	-	-
Fees and commissions expenses	-	-
Surrenders	-	-
Net claims expenses	-	-
Net provisions for insurance contracts reserve	-	-
Insurance policy dividend paid	-	-
Reinsurance costs	-	-
Taxes and surcharges	4,960,286	5,754,219
Selling and distribution expenses	15,004,028	10,335,393
General and administrative expenses	205,887,172	176,371,889
Research and development expenses	33,027,988	27,962,173
Financial expenses	44,309,717	37,658,426
Including: Interest expenses	45,149,998	36,267,757
Interest income	2,761,765	1,691,367

Items	Year ended December 31,	
	2022	2021
		<i>(Restated)</i>
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	-10,968,838	40,860,230
Attributable to shareholders of the parent company	-24,220,782	44,035,995
Attributable to non-controlling interests	13,251,944	-3,175,765
	<u>-</u>	<u>-</u>
VIII. Earnings per share:		
(I) Basic (RMB per share)	-0.32	0.61
(II) Diluted (RMB per share)	-0.32	0.59
	<u>-</u>	<u>-</u>

12.2.2 Annual Consolidated Balance Sheets

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	December 31, 2022	December 31, 2021 <i>(Restated)</i>	January 1, 2021 <i>(Restated)</i>
Current assets:			
Cash at bank and on hand	271,094,963	188,734,846	206,499,564
Settlement deposits	—	—	—
Placements with banks and other financial institutions	—	—	—
Financial assets held for trading	10,641,026	10,000,000	—
Derivative financial assets	—	—	—
Notes receivable	—	—	—
Accounts receivable	382,836,691	311,757,875	225,300,247
Receivables financing	—	—	—
Advances to suppliers	32,201,224	11,858,427	9,909,510
Premium receivable	—	—	—
Reinsurance accounts receivable	—	—	—
Provision for reinsurance contract receivable	—	—	—
Other receivables	37,195,220	29,925,488	63,465,824
Financial assets purchased for resale	—	—	—
Inventories	58,331,397	56,519,301	37,508,472
Contract assets	—	—	—
Assets held for sale	—	—	—
Current portion of non-current assets	—	—	—
Other current assets	752,325	806,686	—
Total current assets	793,052,846	609,602,623	542,683,617

ASSETS	December 31, 2022	December 31, 2021 <i>(Restated)</i>	January 1, 2021 <i>(Restated)</i>
Non-current assets:			
Granted loans and advances	—	—	—
Debt investments	—	—	—
Other debt investments	—	—	—
Long-term accounts receivable	14,000,000	—	—
Long-term equity investments	143,546,246	129,847,779	97,816,934
Investment in other equity instruments	—	—	—
Other non-current financial assets	63,116,852	65,812,275	57,404,918
Investment properties	—	—	107,804,936
Fixed assets	695,020,441	721,846,772	533,743,384
Construction in progress	152,497,400	43,795,718	134,941,286
Productive biological assets			
Oil and gas assets			
Right-of-use assets	190,403,752	257,412,270	232,612,441
Intangible assets	254,684,348	227,991,785	162,536,728
Development expenditure			
Goodwill	107,655,738	135,741,377	79,199,853
Long-term prepaid expenses	189,586,339	150,501,038	153,550,840
Deferred tax assets	20,682,398	14,336,965	40,258,388
Other non-current assets	13,541,047	21,066,387	18,708,451
Total non-current assets	<u>1,844,734,561</u>	<u>1,768,352,366</u>	<u>1,618,578,158</u>
TOTAL ASSETS	<u>2,637,787,407</u>	<u>2,377,954,989</u>	<u>2,161,261,775</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2022	December 31, 2021 <i>(Restated)</i>	January 1, 2021 <i>(Restated)</i>
Current liabilities:			
Short-term borrowings	203,000,000	254,050,000	312,500,000
Borrowings from central bank	-	-	-
Placements from banks and other financial institutions	-	-	-
Financial liabilities held for trading	13,922,929	-	-
Derivative financial liabilities	-	-	-
Notes payable	997,944	-	36,080
Accounts payable	85,773,062	69,162,002	71,955,864
Receipts in advance	29,894,837	16,275,603	4,644,278
Contract liabilities	-	3,241	12,965,175
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	70,588,350	60,488,184	42,785,133
Taxes payable	33,507,164	30,235,329	49,046,555
Other payables	72,193,730	57,319,524	76,603,400
Fees and commissions payable	-	-	-
Reinsurance accounts payable	-	-	-
Liabilities held for sale	-	-	-
Current portion of non-current liabilities	147,598,324	48,240,752	35,540,617
Other current liabilities	-	-	-
Total current liabilities	<u>657,446,340</u>	<u>535,774,635</u>	<u>606,077,103</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2022	December 31, 2021 <i>(Restated)</i>	January 1, 2021 <i>(Restated)</i>
Non-current liabilities:			
Provision for insurance contracts	—	—	—
Long-term borrowings	391,010,000	280,950,000	110,992,970
Bonds payable	—	—	—
Including: Preferred shares	—	—	—
Perpetual bonds	—	—	—
Lease liabilities	171,437,740	231,733,760	194,601,230
Long-term payables	42,404,938	—	—
Long-term employee benefits payables	—	—	—
Provisions	—	—	—
Deferred income	9,037,891	9,341,683	9,645,475
Deferred tax liabilities	40,547,879	39,875,790	25,032,438
Other non-current liabilities	—	—	—
Total non-current liabilities	<u>654,438,448</u>	<u>561,901,233</u>	<u>340,272,113</u>
Total liabilities	<u>1,311,884,788</u>	<u>1,097,675,868</u>	<u>946,349,216</u>
Shareholders' equity:			
Share capital	74,600,300	74,600,300	74,600,300
Other equity instruments	—	—	—
Including: Preferred shares	—	—	—
Perpetual bonds	—	—	—
Capital surplus	855,078,533	838,165,396	819,309,066
Less: Treasury stock	—	—	23,311,144
Other comprehensive income	—	—	—
Special reserves	—	—	—
Surplus reserve	38,399,577	38,399,577	36,593,229
Provision for general risks	—	—	—
Retained earnings	233,506,534	257,098,624	214,856,099
Total equity attributable to shareholders of the parent company	<u>1,201,584,945</u>	<u>1,208,263,897</u>	<u>1,122,247,550</u>
Non-controlling interests	<u>124,317,674</u>	<u>72,015,224</u>	<u>92,665,099</u>
Total shareholders' equity	<u>1,325,902,619</u>	<u>1,280,279,120</u>	<u>1,214,912,559</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,637,787,407</u>	<u>2,377,954,989</u>	<u>2,161,261,775</u>

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

Items	Year ended December 31,	
	2022	2021
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,452,028,763	1,211,114,151
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	100,857,821	96,220,745
Sub-total of cash inflows of operating activities	1,552,886,584	1,307,334,896
Cash paid for goods and services	613,477,475	553,860,986
Net increase in customer loans and advances	—	—
Net increase in deposits with central bank and other banks	—	—
Cash paid for compensation under original insurance contract	—	—
Net increase in placements with banks and other financial institutions	—	—
Cash paid for interests, fees and commissions	—	—
Cash paid for policyholders' dividends	—	—
Cash paid to and on behalf of employees	525,082,523	425,383,922
Payments of taxes and surcharges	51,200,498	44,017,853
Cash paid relating to other operating activities	135,905,523	90,175,636
Sub-total of cash outflows of operating activities	1,325,666,020	1,113,438,397
Net cash flows from operating activities	227,220,564	193,896,499

Items	Year ended December 31,	
	2022	2021
II. Cash flows from investing activities		
Cash received from disposal of investments	–	52,119,176
Cash received from returns on investments	1,650,804	7,777,189
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	24,100,367	8,755,311
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities	–	–
Sub-total of cash inflows of investing activities	25,751,171	68,651,676
Cash paid to acquire fixed assets, intangible assets and other long-term assets	236,910,179	178,536,614
Cash paid to acquire investments	–	48,600,000
Net increase in pledged loans	–	–
Net cash paid to acquire subsidiaries and other business units	53,685,701	80,564,033
Cash paid relating to other investing activities	8,770,704	–
Sub-total of cash outflows of investing activities	299,366,584	307,700,647
	<hr/>	<hr/>
Net cash flows from investing activities	<u>-273,615,413</u>	<u>-239,048,971</u>

Items	Year ended December 31,	
	2022	2021
III. Cash flows from financing activities		
Cash received from capital contributions	9,153,084	2,900,000
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	9,153,084	2,900,000
Cash received from borrowings	387,500,000	550,250,000
Cash received relating to other financing activities	151,420,250	–
Sub-total of cash inflows of financing activities	548,073,334	553,150,000
Cash repayments of borrowings	324,220,000	428,342,970
Cash payments for distribution of dividends, profit or interest expenses	51,554,508	30,297,107
Including: Cash payments for distribution of dividends and profit by subsidiaries to non- controlling shareholders	–	–
Cash paid relating to other financing activities	56,121,295	60,676,566
Sub-total of cash outflows of financing activities	431,895,803	519,316,643
Net cash flows from financing activities	116,177,531	33,833,357
IV. Effect of foreign exchange rate changes on cash and cash equivalents	78,463	-38,704
V. Net increase in cash and cash equivalents	69,861,145	-11,357,819
Add: Cash and cash equivalents at the beginning of the period	188,734,846	200,092,665
VI. Cash and cash equivalents at the end of the period	258,595,991	188,734,846

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							Subtotal	Non-controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings			
I. Balance as at the end of the previous year	74,600,300				838,165,396				38,399,577		257,098,624	1,208,263,897	72,015,224	1,280,279,121
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				838,165,396				38,399,577		257,098,624	1,208,263,897	72,015,224	1,280,279,121
III. Increases/decreases in the current period ("-" for decreases)					16,913,137						-23,592,090	-6,678,953	52,302,450	45,623,497
(I) Total comprehensive income											-24,220,782	-24,220,782	13,251,943	-10,968,839
(II) Owner contribution and capital decrease					12,214,419							12,214,419	43,363,507	55,577,926
1. Common stock contributed by owners													43,363,507	43,363,507
2. Capital invested by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity					12,214,419							12,214,419		12,214,419
4. Others														

Amount for the current period
Equity attributable to owners of the parent company

Items	Other equity instruments				Capital reserve	Amount for the current period				Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others		Less: Treasury stock	Other comprehensive income	Special reserve							
(III) Distribution of profits														-4,313,000	-4,313,000
1. Withdrawal of surplus reserves														-	
2. Withdrawal of provision for general risk														-4,313,000	-4,313,000
3. Profit distributed to owners (or shareholders)															
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															

Items	Other equity instruments				Amount for the current period Equity attributable to owners of the parent company									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
	(V) Special reserves													
1. Withdrawal for the period														
2. Usage for the period														
(VI) Others					4,698,718						628,692	5,327,410		5,327,410
IV. Balance as at the end of the period	74,600,300				855,078,533				38,399,577		233,506,534	1,201,584,944	124,317,674	1,325,902,618

Items	Other equity instruments				Amount for the previous period Equity attributable to owners of the parent company									Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non- controlling interests	
I. Balance as at the end of the previous year	74,600,300				819,509,066	23,311,144			36,593,229		205,665,236	1,113,056,687	92,665,009	1,205,721,696
Plus: Changes in accounting policies														
Correction of accounting errors in prior periods											9,203,741	9,203,741		9,203,741
Business combinations under common control														
Others														
II. Balance as at the beginning of the current year	74,600,300				819,509,066	23,311,144			36,593,229		214,868,977	1,122,260,428	92,665,009	1,214,925,437
III. Increases/decreases in the current period ("-" for decreases)					18,656,330	-23,311,144			1,806,348		42,229,647	86,003,469	-20,649,785	65,353,684
(I) Total comprehensive income											44,035,995	44,035,995	-3,175,765	40,860,230
(II) Owner contribution and capital decrease					20,182,750							20,182,750	-17,474,020	2,708,730
1. Common stock contributed by owners					2,445,056							2,445,056	-17,474,020	-15,028,964
2. Capital invested by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity					17,737,694							17,737,694		17,737,694
4. Others														

Amount for the previous period
Equity attributable to owners of the parent company

Items	Other equity instruments				Capital reserve	Less:			Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others		Treasury stock	comprehensive income	Other							
(III) Distribution of profits															
1. Withdrawal of surplus reserves									1,806,348		-1,806,348				
2. Withdrawal of provision for general risk									1,806,348		-1,806,348				
3. Profit distributed to owners (or shareholders)															
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															

Items	Share capital	Preferred shares	Other equity instruments		Amount for the previous period Equity attributable to owners of the parent company							Subtotal	Non-controlling interests	Total owners' equity	
			Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings				
(V) Special reserves															
1. Withdrawal for the period															
2. Usage for the period															
(VI) Others					-1,526,420	-23,311,144						21,784,723		21,784,723	
IV. Balance as at the end of the period	74,600,300.00				838,165,396					38,399,577		257,098,624	1,208,263,897	72,015,224	1,280,279,121

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, 2022 <i>RMB</i>	December 31, 2021 <i>RMB</i>
Within 1 year	388,961,193	303,910,574
1 – 2 years	4,755,920	9,812,859
2 – 3 years	3,941,367	4,259,870
3 – 4 years	3,248,300	3,140,407
4 – 5 years	1,932,594	–
Subtotal	<u>402,839,374</u>	<u>321,123,710</u>
Less: Provision for bad debts	20,002,683	9,365,835
Total	<u><u>382,836,691</u></u>	<u><u>311,757,875</u></u>

12.3.2 Accounts payable

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

	December 31, 2022 RMB	December 31, 2021 RMB
Within one year	84,193,739	65,938,475
One to two years	1,161,389	2,767,906
Two year to three years	71,969	168,510
Above three years	345,965	287,111
Total	<u>85,773,062</u>	<u>69,162,002</u>

12.3.3 Revenue and cost of sales

Analysis of revenue and cost of sales

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Cost	Revenue	Cost
Main businesses	1,366,816,938	1,040,114,650	1,202,774,378	897,111,636
Other businesses	118,086,104	91,857,293	94,655,992	71,320,820
Total	<u>1,484,903,042</u>	<u>1,131,971,943</u>	<u>1,297,430,370</u>	<u>968,432,456</u>

Breakdown of revenue:

	Year ended December 31, 2022 Revenue	Year ended December 31, 2021 Revenue
Revenue from main businesses	1,366,816,938	1,202,774,378
Including: Pharmaceutical sales	305,118,303	267,588,282
Treatments and general healthcare services	1,061,698,635	935,186,096
Revenue from other businesses	118,086,104	94,655,992
Including: Wholesale and retail revenue of pharmaceutical and equipment	85,464,736	51,613,429
Management service	3,000,000	2,970,297
Rental income	8,067,969	7,515,329
Real estate sales	–	16,043,548
Others	21,553,398	16,513,389
	<hr/>	<hr/>
Total	<u>1,484,903,042</u>	<u>1,297,430,370</u>

12.3.4 Expenses by nature

The cost of sale, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	Year ended December 31, 2022	2021
Employee and welfare benefits	538,910,495	435,967,572
Pharmaceutical and medical consumables used	417,971,255	353,105,992
Costs of real estate sold	–	15,204,373
Depreciation of fixed assets	53,029,785	45,173,131
Depreciation of right-of-use assets	38,189,336	45,435,381
Amortisation of intangible assets	22,991,164	15,010,630
Amortisation of long-term prepaid expenses	46,397,647	38,371,918
Housing lease and property management expenses	17,904,619	15,472,885
Canteen expenditure	66,553,544	57,050,466
Utilities	29,928,936	24,096,156
Outsourcing expenses	23,086,081	21,047,712
Testing fee	27,657,239	25,603,836
Consulting expense	28,302,685	13,820,362
Auditors' remuneration	6,366,300	1,222,900
Promotion expenses	3,526,993	2,990,339
Travelling expenses	5,332,488	4,416,545
Office expenses	8,492,201	9,312,808
Share-based payment	12,214,419	15,932,752
Others	39,035,944	43,866,152
	<hr/>	<hr/>
Total	<u>1,385,891,131</u>	<u>1,183,101,910</u>

12.3.5 Credit impairment losses

	Year ended December 31,	
	2022	2021
Losses on bad debts of accounts receivable	11,260,563	3,005,695
Losses on bad debts of other receivables	13,930,978	-865,499
Total	<u>25,191,541</u>	<u>2,140,196</u>

12.3.6 Earning per Share

Basic earning per Share

	Year ended December 31,	
	2022	2021
Consolidated net profit attributable to the ordinary Shareholders of the parent company	-24,220,782	44,035,995
Weighted average number of outstanding ordinary Shares of the Company	74,600,300	72,140,300
Basic earning per Share	-0.32	0.61
Including: Basic earning per Share from continuing operations	-0.32	0.61
Basic earning per Share from discontinued operations	-	-

Diluted earning per Share

Diluted earning 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):

	Year ended December 31,	
	2022	2021
Consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted)	-24,220,782	44,035,995
Weighted average number of outstanding ordinary Shares of the Company (diluted)	74,600,300	74,600,300
Diluted earning per Share	-0.32	0.59
Including: Diluted earning per Share from continuing operations	-0.32	0.59
Diluted earning per Share from discontinued operations	-	-

12.3.7 Income tax expenses

Table of income tax expenses

	Year ended December 31,	
	2022	2021
Current income tax expenses	40,192,565	26,919,820
Deferred income tax expenses	<u>-13,618,853</u>	<u>27,911,093</u>
Total	<u><u>26,573,172</u></u>	<u><u>54,830,913</u></u>

Reconciliation between total profit and income tax expenses

	Year ended December 31,	
	2022	2021
		(Restated)
Total profit	<u>15,604,874</u>	<u>95,691,143</u>
Income tax expenses calculated at the statutory tax rates	3,028,480	21,762,976
Impact of different tax rates applicable to subsidiaries	7,125,277	1,508,267
Adjustment to impact of income tax of past periods	-3,896,947	-2,591,474
Impact of non-taxable income	-5,563,847	-283,550
Impact of non-deductible costs, expenses and losses	1,736,913	4,012,268
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	137,339	-3,047,922
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	31,726,873	40,749,555
Additional deduction of research and development expenses	-4,141,335	-3,263,746
Impact of business combination involving enterprise not under common control	-2,298,769	-4,286,812
Others	<u>-1,280,272</u>	<u>271,351</u>
Income tax expenses	<u><u>26,573,712</u></u>	<u><u>54,830,913</u></u>

12.3.8 Dividend

On March 31, 2023, the Board did not recommend the payment of a final dividend to the Shareholders for the year ended December 31, 2022. The proposal not to declare dividend is subject to approval by the Shareholders at AGM.

On October 26, 2022, the Board did not recommend the payment of a final dividend to the Shareholders for the year ended December 31, 2021. The proposal not to declare dividend was approved by the Shareholder at the annual general meeting for the year 2021 of the Company on December 16, 2022.

13 CONTINUED SUSPENSION OF TRADING

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

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

14 DEFINITIONS

“AGM”	the annual general meeting of the Company for the year 2022 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
“Cangnan Kangning Hospital”	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company’s wholly-owned subsidiaries
“Chun’an Kangning Hospital”	Chun’an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, one of the Company’s indirect non-wholly owned subsidiaries
“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2120)
“CG Code”	the Corporate Governance Code contained in Appendix 14 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”	the Company and its subsidiaries

“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly-owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Hangzhou Cining Hospital”	Hangzhou Cining Hospital Co., Ltd. (杭州慈寧醫院有限公司), a company established in the PRC with limited liability on November 18, 2017, one of the Company’s indirect wholly-owned subsidiaries
“Hangzhou Yining Hospital”	Hangzhou Yining Hospital Co., Ltd. (杭州怡寧醫院有限公司), a company established in the PRC with limited liability on August 25, 2016, which was one of the Company’s indirect non-wholly owned subsidiaries. On July 30, 2022, the Company transferred the 28% equity interest in Hangzhou Yining Hospital indirectly held by it to Tongxiang Wuzhen Lianxin Lianyi Health Management Co., Ltd. (桐鄉烏鎮蓮芯蓮薏健康管理有限公司). Upon completion of such equity transfer, the Company indirectly held 33% equity interest in Hangzhou Yining Hospital
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (菏澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“HK\$” or “HKD”	the lawful currency of Hong Kong
“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
“Jerinte Health”	Zhejiang Jerinte Health Technology Co., Ltd. (浙江傑翎健康科技有限公司) (formerly know as Hangzhou Yelimi Information Technology Co., Ltd. (杭州耶利米信息科技有限公司)), a company established in the PRC with limited liability on December 27, 2018, one of the Company’s indirect wholly-owned subsidiaries
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Jinpu Fund”	Chongqing Jinpu Health Care Service Industry Equity Investment Fund Partnership (L.P.) (重慶金浦醫療健康服務產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on March 22, 2016 with the Company as a limited partner, holding 3.5461% of Jinpu Fund
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company’s direct non-wholly owned subsidiaries
“Linhai Cining Hospital”	Linhai Cining Hospital Co., Ltd. (臨海慈寧醫院有限公司), a company established in PRC with limited liability on December 11, 2020, one of the Company’s indirect wholly-owned subsidiaries
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Nanjing Yining Hospital”	Nanjing Yining Hospital Co., Ltd. (南京怡寧醫院有限公司), a company established in the PRC with limited liability on June 22, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“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
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃峰醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly owned subsidiaries

“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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
“Qingtian Kangning Hospital”	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company’s wholly-owned subsidiaries
“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)
“Shenzhen Yining Hospital”	Shenzhen Yining Hospital (深圳怡寧醫院, previously known as Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)), a company established in the PRC with limited liability on September 22, 2014, one of the Company’s indirect non-wholly owned subsidiaries
“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, 2022
“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
“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s wholly-owned subsidiaries

“Wenling Nanfang Hospital”	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd. (溫嶺南方精神疾病專科醫院有限公司), a company established in the PRC with limited liability on June 20, 2018, one of the Company's indirect non-wholly owned subsidiaries
“Wenzhou Ouhai Yining Elderly Hospital”	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd. (溫州甌海怡寧老年醫院有限公司), a company established in China with limited liability on March 8, 2021, one of the non-wholly owned subsidiaries of the Company
“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.(怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company's indirect wholly-owned subsidiaries
“Yongjia Kangning Hospital”	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company's wholly-owned subsidiaries
“Yueqing Kangning Hospital”	Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company's wholly-owned subsidiaries
“Yueqing Yining Hospital”	Yueqing Yining Integrated Traditional Chinese and Western Medicine Hospital Co., Ltd. (樂清怡寧中西醫結合醫院有限公司), a company established in the PRC with limited liability on August 4, 2006, one of the Company's direct wholly-owned subsidiaries, previously known as “Yueqing Bang-er Chinese & Western Medicine Hospital Limited (樂清邦爾中西醫結合醫院有限公司)”
“%”	percentage ratio

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

Zhejiang, the PRC
April 14, 2023

As of the date of this announcement, the Company's executive Directors are Mr. GUAN Weili and Ms. WANG Lianyue; the non-executive Directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-executive Directors are Ms. ZHONG Wentang and Mr. LIU Ning.