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1 About the Report

Wenzhou Kangning Hospital Co., Ltd. (“**Wenzhou Kangning**” or the “**Company**”) and its subsidiaries (together the “**Group**” or “**we**”) are pleased to announce the Environmental, Social and Governance (“**ESG**”) Report (or the “**Report**”) for the Year, which aims to summarize the Group’s initiatives and performance in sustainability and social responsibilities and report to all of the significant stakeholders on the Group’s practices and accomplishments in ESG during the Year.

1.1 Reporting Standards

The Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) (hereinafter referred to as the “**Guide**”) set out in Appendix C2 to the Rules Governing the Listing of Securities (《證券上市規則》) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Report complies with all “comply or explain” provisions as set out in the Guide, the content of which conforms to the reporting principles regarding “Materiality”, “Quantitative”, “Balance” and “Consistency” contained in the Guide. Readers may refer to Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index of the Report for a quick search.

The Report has followed the reporting principles in the Guide during the preparation process, including:

- **Materiality:** We have identified and disclosed the process and criteria for material ESG issues in our Report. We have also identified and disclosed the results of significant stakeholder engagement in our ESG Report, and have made targeted disclosures in the Report. The management has confirmed the applicability of materiality assessment to the current year.
- **Quantitative:** The Group has disclosed the statistical standards, methods, calculation tools, and sources of conversion factors for all information in the Report.
- **Balance:** The Report presents an impartial description of the Group’s performance during the Reporting Period to avoid the choices, omissions, or presentation formats that may unduly impact the decisions or judgments made by its readers.
- **Consistency:** Unless otherwise indicated, the statistical methods and standards for data disclosed in the Report are consistent with those in previous years. If any changes may affect the comparison with previous reports, we will make a clear explanation.

1 About the Report

1.2 Reporting Scope

The Report presents the Group's overall performance regarding sustainable development from 1 January 2024 to 31 December 2024 (the "Year" or the "Reporting Period"). Unless otherwise stated, the Report covers healthcare business directly controlled by the Group, including Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd., and Pingyang Changgeng Yining Hospital Company Limited. The scope of social key performance indicators covers the whole group. Please refer to the Corporate Governance Report section in the annual report or the Group's official website (<http://www.knhosp.cn>) for detailed information about the corporate governance of the Group.

1.3 Reporting Language

The Report is released electronically in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

1.4 Approval of the Report

The Report passed the internal review procedures of the Group and was approved by the Board of Directors on 22 April 2025.

1.5 Release of the Report

A soft copy of the ESG Report is published on "Information Disclosure" under "Investor Relations" of the Company's official website (<http://www.knhosp.cn>) and the HKEx news of the Stock Exchange (www.hkexnews.hk).

1.6 Feedback on the Report

Your opinions on the Report will be highly valued. Please contact us via email (email address: ir@knhosp.cn) for any inquiries or suggestions on the Report or the ESG issues of the Group.

2 About the Group

The Group is a large-scale private medical group providing comprehensive specialized medical service for psychiatric patients. Driven by the dual segments of psychiatric specialty and elderly healthcare services, the Group strategically positioned itself for the transformation towards specialized chain clusters, and established a treatment service network “based in Wenzhou, intensively cultivated in Zhejiang and radiated across the nationwide” by adopting a model of chain operation that integrates online and offline, striving to become a practitioner of “Health China” undertakings.

While developing its business, the Group is also actively involved in public welfare and charity undertakings. The Group has been launching various welfare and charity campaigns such as “Assisting Tibet and Xinjiang”, “Psychological services for teenagers and children”, “Intervention and assistance for psychological problems” and “Starlight of Dr. Deer (醫鹿星光)” during the year. We have also independently developed a mobile intelligent mental health platform-“Xinqing Station” to provide borderless mental health services to the whole society. Currently, the Group owns and operates 32 hospitals, including 25 psychiatric specialty hospitals, 6 geriatric hospitals and one network hospital.

Group vision, mission and values

“Respecting Life and Serving Humbly” is our value. We advocate the equality and preciousness of life, and we respect the uniqueness and sacredness of life as the supreme value. Blessing is the awe that is deeply rooted in the heart, the respect for life within. Humility is a form of love, a conscious word and deed that is externalized from action and protects life.

Our vision is to be the professional guardians of mental health. We are committed to becoming an outstanding leader in the field of mental health, with our professional knowledge and skills, dedicated to protecting the mental health of the people and escorting the development of a harmonious society.

It is our mission to provide dignified medical care to patients with mental disorders. It is not only the value of our existence to provide dignified medical care to patients with mental disorders, but also our responsibility and obligation. We will continue to be patient-centered and provide high-level medical care that reflects human dignity, professionalism, and humanity, so that each patient can feel respect and care.

2 About the Group

The following are the awards and honors received by the Group during the Reporting Period:

Award and honor	Awarding authority
Advanced Unit	Wenzhou Municipal Association of Senior Health Science and Technology Workers
2023 Top 10 Models of Digital Healthcare	China Times
2023 “Love Wenzhou – Charity and Medical Assistance” Program Advanced Group	Wenzhou Charity Federation
Special Food Clinical Application Demonstration Base of China Nutrition and Health Food Association	China Nutrition and Health Food Association
Advanced Unit in Party Building	SDIC Chuangyi Industry Fund Management Co., Ltd.
Member of the Wenzhou Collaborative Innovation Center of National Center for Infectious Disease	National Center for Infectious Disease Health Commission of Wenzhou
Pioneer Worker in Zhejiang Province	Zhejiang Provincial Federation of Trade Unions
2023 Enterprises with Outstanding Contributions	Lucheng District People’s Government of Wenzhou City

3 Chairman's Statement

Dear stakeholders,

2024 was an important year for the promotion of high-quality development of hygiene and health. Growing concern on the quality of life and health and safety and a higher awareness of health management, especially the increasing demand for diversified medical treatment such as mental health, full-course and full-cycle management of the elderly, continued to drive demand for high-quality medical services and healthcare services. Supported by the social healthcare policy, we actively responded to various challenges, fully leveraged our competitive advantages in our professional and collectivized development, and kept improving the quality of our medical technology and services to promote the sustained, steady and high-quality development of the Group.

We took the initiative to fulfill our social responsibilities and promote the sustainable development of the medical service industry. As a token of our esteem on our business impact on the environment and society and commitment to patients, employees and the environment on very occasion, we identified important issues related to ESG and adopted a series of measures to strengthen our sustainability management by establishing close relationships with various stakeholders. The goal was to contribute positively to society, focus on the well-being of our employees and work with our stakeholders to promote the sustainable development of the healthcare service industry while growing our business. We strictly complied with the regulatory requirements for greenhouse gases and proactively carried out energy conservation actions. We commissioned a qualified third-party agency to dispose of medical waste to ensure regulatory compliance and safety. Adhering to the concept of sustainable development, we fully implemented our green operation commitments. At the same time, great emphasis was given to environmental education and we strove to raise the environmental awareness of all employees. This approach not only embodied our green operating philosophy, but also demonstrated our important undertaking to healthcare sustainability and social responsibility.

During the Year, Wenzhou Kangning conducted in-depth collaborations with universities and renowned experts to jointly promote innovation. We actively recruited top talent in healthcare technology and innovation around the globe. Our hospitals established overseas academician workstations and post-doctoral workstations and conducted international cooperation with academician teams from Canada and the United Kingdom in the fields of brain rehabilitation medicine, clinical application of AI in psychiatry and training of high-level psychiatric talent. We are committed to building a team of experts with high academic standards, rich experience and extensive influence. Sustainable development of medical industry is only attainable by the effort of talent and technology advancement. The General Office of the State Council proposes to focus on the coordinated development of medical insurance, medical treatment and pharmaceuticals, to promote the high-quality development of healthcare, and to enhance the people's sense of well-being and security; on the other hand, to encourage and guide enterprises and other social forces to actively participate, promote mutual assistance services for the elderly and to promote the integration of medical care and elderly care, providing a good development environment for our Group.

3 Chairman's Statement

The Group is committed to becoming a practitioner who pursues for a “Healthier China”. We will adhere to the concept of “solidifying the foundation and innovation, and moving forward with faith” and focus on our two core businesses, namely, mental health care and geriatric care, with firmer confidence and pragmatic measures. We will strengthen our refined operation and management model, continue to adapt to the new paradigm and innovate on Kangning’s characteristic service model, and continue to enhance the Group’s core competitiveness with the guidance of the core value, “Respecting Life and Serving Humbly”, and jointly open a new chapter in the Group’s high-quality development with our colleagues.

GUAN Weili

Chairman

Zhejiang, the People’s Republic of China (“PRC”)

April 2025

4 Sustainability Vision and Management Practices

Against the backdrop of increasing global awareness to sustainable development, the Group is committed to implementing sustainable corporate management, always serving the community with integrity and trustworthiness, and actively fulfilling its social responsibilities and obligations as a medical institution. We integrate the concept of sustainability into every aspect of our business development, covering various fields such as medical team building, medical service model innovation, medical waste treatment, green operation, medical supply chain and community involvement. By making sustainability a core strategy in our day-to-day operations, we continue to improve our ESG performance and strive to create lasting value and positive social impact for all our stakeholders.

4.1 Statement of the Board of Directors

In the continuous promotion of sustainable development, the Board of Directors continues to play a strategic leading role. The Group continues to promote the integration of ESG concepts into its operation and management. The implementation of these concepts will motivate us to keep improving our ESG management system to cope with the increasingly complex sustainability challenges.

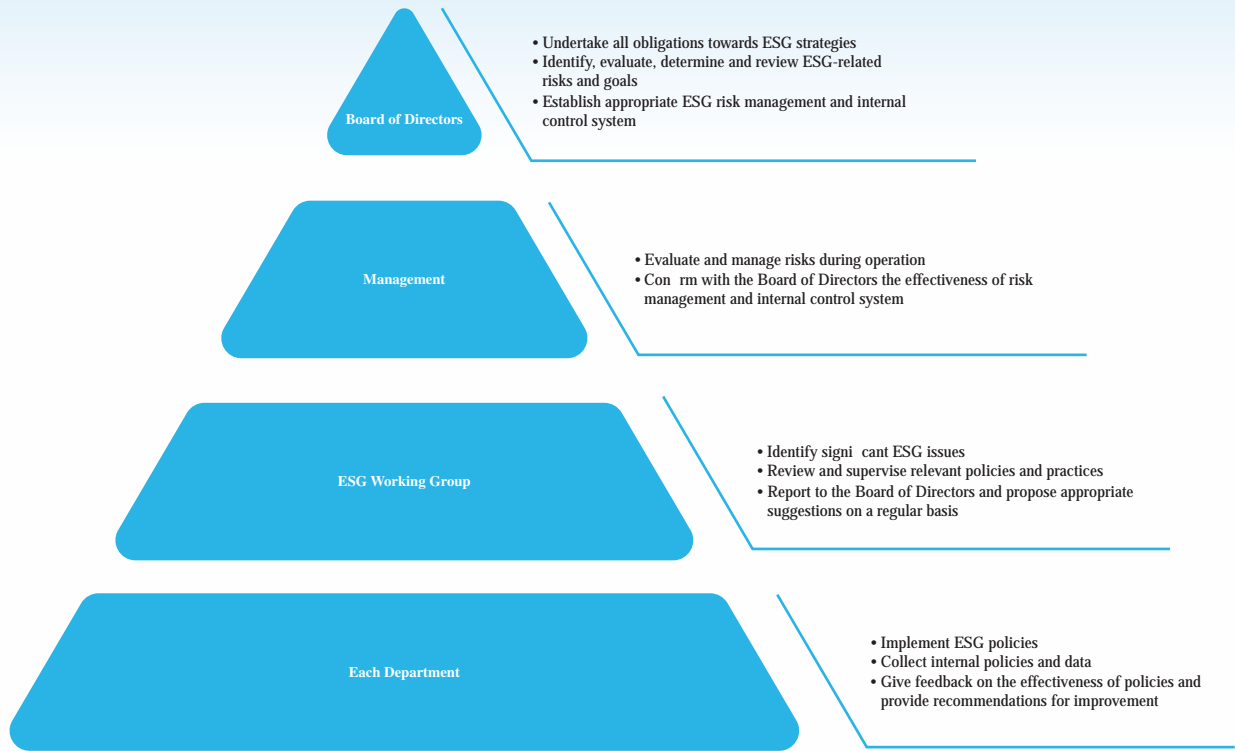
As the highest decision-making level, the Board of Directors not only shoulders the responsibility of setting the strategic direction and supervision duties of ESG, but also undertakes the key duty of supervision and evaluation tasks. The Board of Directors is responsible for reviewing and approving the ESG management guidelines and policies, especially regarding ESG material issues. To effectively promote ESG work, the Board of Directors has established an ESG Working Group to oversee and promote the implementation of ESG matters. The Board follows up and review the progress of ESG practices on an annual basis to ensure that the ESG strategy is effectively promoted.

During the Year, we conducted a comprehensive review of the fulfillment of our environmental targets and proposed feasible improvement measures based on the assessment results. Going forward, we will continue to track the progress of each of our goals and strive to support the Company's long-term sustainable development strategy. We firmly believe that through the attention and active participation of the Board of Directors, the ESG concepts will be more deeply integrated into our business and operational processes, so as to continuously create greater social value.

4.2 ESG System

We have issued the Notice Concerning the Establishment of the Environmental, Social and Governance Working Group 《關於成立環境、社會及管治專責小組的通知》 and set up an ESG Working Group composed of executive directors, general manager, and representatives from various functional departments. The establishment of the Working Group bridges the communication gap between the Board of Directors, management, and different departments, and builds a whole-process ESG management system that covers overall monitoring, evaluation, implementation and review.

4 Sustainability Vision and Management Practices



ESG Governance Structure

4.3 Communication with Stakeholders

We understand that the voice of our stakeholders is essential in the Group’s sustainable development process. The Group attaches great importance to the opinions and support of various stakeholders, and always maintains an open and transparent attitude and actively communicates with our stakeholders. We take suggestions and feedback from stakeholders seriously and incorporate them into the consideration of sustainable development strategies and decision-making in order to optimize ESG management.

4 Sustainability Vision and Management Practices

Stakeholders	Communication channels	Issues concerning ESG
Patients and their families	<ul style="list-style-type: none"> • Daily operation/communication • Service center • Consultation group • Satisfaction survey and feedback form • Telephone 	<ul style="list-style-type: none"> • Customer service quality • Improving the management system of complaints and disputes • Privacy and information safety • Quality medical services • Satisfying the needs of patients
Employees	<ul style="list-style-type: none"> • Performance appraisal • Employee intranet • Employee communication meeting • Group discussion/meeting • Special consultative committee/panel discussion groups • Volunteer activities 	<ul style="list-style-type: none"> • Talent incentives • Employee development and trainings • Employees' remunerations and benefits • Employee diversity and equality • Employees occupational health and safety
Shareholders/investors	<ul style="list-style-type: none"> • Results announcement/corporate communications • Meetings • Interim and annual reports • Shareholders' site visits 	<ul style="list-style-type: none"> • Investment returns • Compliance operation • Technologies and innovations
Government and regulatory authorities	<ul style="list-style-type: none"> • Meetings • On-site investigation • Compliance report 	<ul style="list-style-type: none"> • Implementation of energy conservation and emission reduction • Contribution to community • Medical accessibility/inclusiveness
Counterparties/business partners	<ul style="list-style-type: none"> • Strategic cooperation projects • Lectures/seminars/workshops • Meetings • Reports • Visits 	<ul style="list-style-type: none"> • Facilitation of industry development • Exchange of industrial experiences
Suppliers	<ul style="list-style-type: none"> • Supplier management procedures/assessment system 	<ul style="list-style-type: none"> • Sustainable supply chain management • Win-win cooperation with suppliers • Green procurement • Fair and open procurement
Media	<ul style="list-style-type: none"> • Results announcement • Press conference/press release • Interviews with the senior management 	<ul style="list-style-type: none"> • Protection of ecological environment • Information disclosures • Responsible marketing
Communities/ non-government groups	<ul style="list-style-type: none"> • Community investment plans • Community activities • Donations 	<ul style="list-style-type: none"> • Contribution to community • Implementation of energy conservation and emission reduction • Medical accessibility/inclusiveness

4 Sustainability Vision and Management Practices

4.4 Materiality Assessment

In the process of continuous improvement of our ESG management, the Group always attaches great importance to the assessment and disclosure of relevant issues. Making reference to the disclosure obligations in the Guide and the Materiality Finder of the Sustainability Accounting Standards Board (SASB), etc., combined with its own business operations and the best practices of the industry, the Group assesses the impact of ESG-related issues on the Group and its stakeholders. In 2024, the Group conducted a comprehensive review of ESG issues and the results of the materiality assessment. As there were no significant changes in the Group's business and operating environment during the Year, both the ESG Working Group and the management confirmed that the results of the assessment of ESG issues in previous years were still applicable to the Year.

The Group identified a total of 35 ESG-related issues, comprising 22 high material issues and 13 moderately material

4 Sustainability Vision and Management Practices

Highly material issues

- Climate change
- Effective utilization of resources
- Up-to-standard discharge of wastewater and measures for emission reduction
- Establishing and improving medical waste management procedures
- Formulation of guidelines and objectives for environmental protection
- Provision of competitive remuneration, benefits, and promotion channels
- Setting up the School of Mental Health in cooperation with Wenzhou Medical University to cultivate medical talents
- Employment in compliance with laws and regulations
- Employment relationship
- Provision of training and skill enhancement courses for employees
- Safe working environment
- Attention to employees' safety and health
- Establishment of a sound medical quality management system
- Safeguarding customers' legal rights and interests
- Safeguarding customers' privacy
- Establishment of an effective mechanism for handling customer complaints
- Emergency management
- Strict implementation of admittance and review standards for suppliers
- Respecting and protecting intellectual property rights
- Allocating more resources to support the development of neighboring communities
- Promoting health education
- Inclusive medical health services

Moderately material issues

- Up-to-standard discharge of emission and measures for emission reduction
- Greenhouse gas emission reduction
- Energy consumption
- Utilization of water resources
- Employee equality and diversity
- Promotion of investment activities for the advancement of the medical undertaking
- Formulation of policies and systems for preventing bribery, extortion, fraud, and money laundering
- Service compliance
- Business ethics
- Enhancing sustainable operation capability
- Economic performance
- Engagement in public charity and volunteer activities
- Corporate image

5 Compliance and Excellent Operation of Hospitals

Compliance operation is the cornerstone of professional medical services. The Group attaches great importance to compliance management and continues to improve the service standards of its affiliated medical institutions to provide safe and reliable medical care for the public. We always maintain a humble and respectful attitude, firmly fulfill our medical commitments, and effectively safeguard the rights and interests of patients and their families. At the same time, we encourage medical staff to continue their studies and improve their clinical skills in order to provide better health services to the people.

5.1 Service Quality Assurance and Improvement

We aim to be an outstanding leader in the field of mental healthcare. With our professional knowledge and skills, we wholeheartedly protect people's mental health and escort the development of a harmonious society. Therefore, we attach great importance to and continuously improve the quality and safety of medical services. We continued to carry out supervision and management of all our medical institutions in strict compliance with the Mental Health Law of the PRC 《中華人民共和國精神衛生法》, the Regulation on the Administration of Medical Institutions 《醫療機構管理條例》, the Detailed Rules for the Implementation of the Regulation on the Administration of Medical Institutions 《醫療機構管理條例實施細則》, the Regulation on Responses to Public Health Emergencies 《突發公共衛生事件應急條例》, the Regulation on the Handling of Medical Accidents 《醫療事故處理條例》, the Regulation on the Prevention and Handling of Medical Disputes 《醫療糾紛預防和處理條例》 and other laws and regulations relating to healthcare services. We only hire medical personnel with valid practicing qualifications to ensure that they are competent to provide professional medical services. All medical personnel are required to comply with the relevant code of professional ethics to protect patients' rights and provide quality medical services.

Medical staff quality and management

Quality medical practitioners are fundamental to the delivery of healthcare services. In our operations, the health and safety of patients is always the foremost consideration, and the medical institutions under the Group are staffed by certified medical professionals, ensuring that each patient is provided with high-quality care. In accordance with the hospital assessment standards and the relevant provisions of the Medical Quality Management Measures 《醫療質量管理辦法》 of the National Health and Family Planning Commission, we have established a Medical Quality and Safety Management Committee (the "Committee"), which is responsible for the management and supervision of medical quality and safety. The Committee also has formulated quantitative standards and scoring criteria for the entire process of medical quality and safety, and integrated them with the clinical departmental target accountability system to ensure the effective implementation of quality control measures. The Committee holds a wrap-up meeting at the end of each year to continuously improve the "patient-centered" service concept and ensure the provision of services that reflect human dignity, professionalism, humanity and a high level of medical care, so that every patient can feel respected and caring.

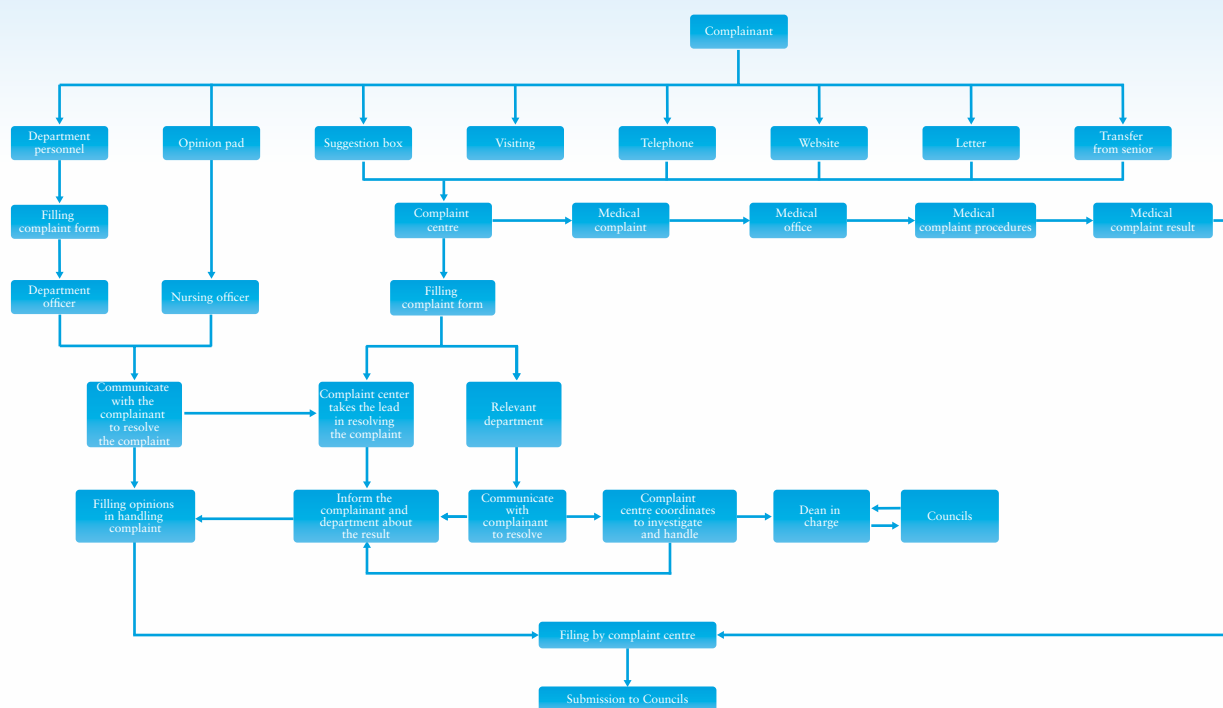
To ensure the quality and safety of our medical services, we conduct regular supervision and assessment on our medical staff at all levels. The content and details of the assessment shall be formulated according to the characteristics of different professional positions. The Clinical Department Physician Behavioral Assessment 《科室醫生行為考核》 evaluates the medical safety, medical quality, and system implementation of clinical doctors; the Work Quality Assessment Rules 《工作質量考核細則》 focuses the work attitude, professional quality, and academic level of medical staff. We have formulated the Implementation Rules for the Management of Regular Assessment of Physicians 《醫師定期考核管理實施細則》, stipulating the process for verification and approval of physicians' qualification information, to ensure that doctors' practicing qualifications and rights of prescribing are always valid.

5 Compliance and Excellent Operation of Hospitals

In order to provide an open channel for patients or their families and the public to vent their negative feelings towards our hospitals, and to listen to and deal with patients' complaints and suggestions in a timely manner, the Complaint Office of the Group has formulated the Complaint Management System (《投訴管理制度》) with an aim to coordinate and resolve the complaints from complainants (patients and their families and other related persons) about the medical and nursing services, environmental measures and work practices of the hospital. The first inquiry accountability system is implemented for the acceptance of complaints. The staff receives each complainant, verifies the relevant information, fills in the Hospital Complaint Registration Form (《醫院投訴登記表》) truthfully, records the case reported by the complainant truthfully, and has it confirmed by the complainant. After receiving complaints from the Complaints Office, departments and personnel handling complaints will be responsible for investigation and verification with facts as the basis, and laws and regulations as the guidelines, handle complaints fairly, protect the legitimate rights and interests of both parties, and provide handling opinions in accordance with relevant hospital regulations. The handling of general complaints does not exceed 3 working days. For more complex complaints that need to be investigated and verified, the handling information or handling feedback will generally be reported to the complainant within 5 working days. For complaints involving multiple clinical departments, it is necessary to organize and coordinate relevant departments to jointly study the cases, and provide feedback to the complainants within 10 working days. Feedback is provided in forms such as phone calls, letters, or visits, etc.

Connecting with our patients and customers is our top priority as we enhance the experience of serving our patients and customers. We are committed to continuously optimizing and improving our communication-related services to meet their expectations. Every month, our Outpatient Department and Care Unit collect detailed statistics on satisfaction rates and complaints/grievances through outpatient satisfaction questionnaires and telephone surveys, report the survey results at the weekly meeting of the hospitals, and complete the Report on the Investigation and Rectification of Patient Satisfaction (《患者滿意度調查整改報告》). Furthermore, the hospital office summarizes and analyzes the quarterly survey data to form a meticulous analysis report, which is announced at the service quality management team meeting at the end of each quarter. The meeting focus on reviewing the satisfaction of the previous quarter, in-depth analysis of the common problems and repeated complaints found in the survey, formulate improvement measures, and timely track the implementation of various unresolved problems. Through this systematic customer communication process, we are committed to improving service quality, accurately responding to the diverse needs of patients and customers, and interpreting the Group's core value of "Respecting Life and Serving Humbly" through our actions.

5 Compliance and Excellent Operation of Hospitals



Process for Complaint Handling

During the Reporting Period, the Group received 215 complaints, 205 of which have been properly handled. In the future, we will continue to improve our services, enhance the quality of hospital services, strengthen patient communication, and provide more professional and comfortable services.

5.2 Data Protection and Privacy Guarantee

Given the increasing concern on information security, this issue and the related privacy protection are essential attributes of our work. In our daily business operations, we carefully handle and strictly protect doctor-patient information to ensure its security and confidentiality. We strictly comply with laws and regulations including the Guarding State Secrets Law of the People's Republic of China 《中華人民共和國保守國家秘密法》, the Regulation on the Implementation of the Guarding State Secrets Law of the People's Republic of China 《中華人民共和國保守國家秘密法實施條例》 and the Regulations on the Protection of Computer Software of the People's Republic of China 《中華人民共和國計算機軟件保護條例》. To further strengthen information security management, we have developed a number of internal systems and policies, including the Rules for Safety Management Work of Information Technology Department 《信息技術部安全管理工作制度》, the Hierarchical Management System for System Operation Authority 《系統操作權限分級管理制度》, the Software Legalization Management System 《軟件正版化管理制度》, the Data Extraction System 《數據提取制度》 and the Security and Confidentiality System for Electronic Medical Records 《電子病歷信息安全保密制度》. Such policies are designed to standardize the control over the operation authority of the application system, the control over user authority, the control over server operation authority and the control over database operation authority, so as to comprehensively upgrade information security management and ensure the security and privacy of patient information are effectively protected.

5 Compliance and Excellent Operation of Hospitals

In this era of rapid development of information technology, the importance of information security is becoming more and more prominent. We incorporate information security management into our daily work and make continuous improvement measures. This not only demonstrates our responsibility to our patients, but is also an important part of our high standards of service. In order to strengthen the security of the electronic medical record information system and the protection of patient privacy, we have formulated the Security and Confidentiality System for Electronic Medical Records 《電子病歷信息安全保密制度》. Currently, the Group has achieved real-time uploading and automatic backup of information to cloud computing centers and third-party storage centers. This system is to ensure the efficient sharing of data resources and maintain data security under the premise of certain permissions. Through these proactive measures, we aim to provide a safer and more trustworthy service experience for our patients.

5 Compliance and Excellent Operation of Hospitals

In order to safeguard the legitimate rights and interests of our hospitals and promote the prosperity and development of medical care, teaching and scientific research, we have formulated the Hospital Intellectual Property Right Management System (《醫院知識產權管理制度》). In addition, we have set up a key discipline establishment management leading group to focus on the establishment of key disciplines and key support disciplines, and have systematically approved and summarized scientific research projects to more effectively protect and promote the transformation of scientific research achievements into applications. To ensure the quality of scientific research projects, we have also set up a scientific research project review team to make suggestions on the formulation of scientific research plans and project topic selection plans and conduct regular research on scientific research status before initiating a scientific research project. During the Reporting Period, the Group initiated a total of 10 municipal-level scientific research projects and 2 intra-hospital scientific research projects.

On 13 May 2024, Kangning Hospital, an affiliated hospital of Wenzhou Medical University, and the Institute for Health Development (大健康發展研究院) of Wenzhou Medical University jointly established the first Titled Center for Translational Research in Patient-Reported Outcome Measures (首個冠名患者報告結局測量研究轉化中心) in China. The establishment of the center was supported by Professor Li Xiaokun, academician of the Chinese Academy of Engineering, and many well-known experts. Patient-reported outcome measures (PROMS) reflect patients' health status and treatment experience, and are now widely used in medical service quality evaluation and drug review and other fields. After 2023, the ranking of the world's best hospitals will be based on peer review, patient experience, medical quality and PROMS results, indicating that PROMS has become an important dimension of hospital evaluation. It is also a key indicator of China's "Double First-class" hospital evaluation system.



Prof. Li Xiaokun, Academician of the Chinese Academy of Engineering and President of Wenzhou Medical

5 Compliance and Excellent Operation of Hospitals

5.4 Supply Chain Compliance

Supplier compliance is crucial in the course of business operations. We always attach importance to the compliance of our supply chain and strive to build a legal and compliant supply chain management system. The Group strictly complies with the Medicinal Product Administration Law of the People's Republic of China 《中華人民共和國藥品管理法》, the Regulations for the Implementation of the Drug Administration Law of the People's Republic of China 《中華人民共和國藥品管理法實施條例》, the Regulation on the Control of Narcotic Drugs and Psychotropic Drugs 《麻醉藥品和精神藥品管理條例》, the Measures for the Administration of Toxic Drugs for Medical Use 《醫療用毒性藥品管理辦法》, the Regulation on the Supervision and Administration of Medical Devices 《醫療器械監督管理條例》 and the Measures for the Administration of Permits for Medical Device Operation Enterprises 《醫療器械經營企業許可證管理辦法》 and other relevant laws and regulations. By strictly complying with these laws, we not only ensure the compliance of our supply chain, but also further improve the overall quality and safety of our services.

To ensure the quality of medical services, the Group has formulated internal systems such as the Measures for the Administration of Suppliers 《供應商管理辦法》 and the Procurement Management System 《採購管理制度》 to regulate the admission, procurement, and evaluation of business-related suppliers. The Material Procurement Department conducts research and qualification assessment of new suppliers in accordance with the procurement supplier management measures, and evaluates the distribution capability of suppliers; it establishes a list of qualified suppliers, conducts quarterly assessments and annual reviews of qualified suppliers, and provides relevant opinions based on the review results.

When selecting suppliers, the Group gives priority to factors such as production capacity, technical level, quality assurance capability, production management, price and EP-compliant materials of the suppliers. Also, the Group is deeply aware of the importance of managing environmental and social risks in its supply chain. During the selection process, we consider its environmental and social responsibility performance, including compliance with national and local environmental standards, implementation of green procurement, zero employment of child labor and forced labor, provision of a reasonable working environment to employees, etc. Moreover, we conduct an independent review of a supplier with a total contract amount of more than RMB300,000 in accordance with the Contract Management System 《合同管理制度》, and enter into an anticommmercial bribery agreement with a supplier with a total contract amount of more than RMB100,000 to prevent the occurrence of bribery and corruption through third parties.

5 Compliance and Excellent Operation of Hospitals

During the Reporting Period, the Group dealt with a total of 377 medical device suppliers. At present, the supplier practice is implemented in only 121 suppliers of our headquarters and Wenzhou region. All of our suppliers are domestic suppliers. Their distribution by region is as follows:

Region	Number of Suppliers
Zhejiang Province	182
Guangdong Province	40
Hebei Province	37
Jiangsu Province	28
Shandong Province	20
Shanghai Municipality	16
Henan Province	13
Beijing Municipality	8
Hunan Province	8
Anhui Province	6
Jiangxi Province	6
Hubei Province	4
Sichuan Province	4
Fujian Province	3
Yunnan Province	1
Liaoning Province	1

5.5 Anti-Corruption and Corporate Ethics

The Group always strictly complies with laws and regulations, including the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Code of Conduct for Practitioners in Medical Institutions (《醫療機構從業人員行為規範》), the Issuance of Notice on Nine Prohibitions on Strengthening the Establishment of Medical and Health Ethics (《關於印發加強醫療衛生行風建設“九不准”的通知》), the Provisions on Establishing Bad Records for Commercial Bribery in Purchase and Sale of Pharmaceuticals (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) and the Issuance of Notice on the Special Action Plan for Rectifying and Regulating the Drug Market Order throughout the PRC (《關於印發“全國整頓和規範藥品市場秩序專項行動方案”的通知》), to eliminate any form of commercial bribery, bribery conduct and other acts of provision or acceptance of improper benefits. We are committed to establishing an operating environment of integrity. During the Reporting Period, the Group was not aware of any litigation or any cases of corruption, bribery, extortion, fraud, or money laundering against the Group or its employees.

5 Compliance and Excellent Operation of Hospitals

In the medical industry, the ethical conduct of medical staff is of paramount importance and is the cornerstone of ensuring patient trust, thus, we put great emphasis on the development of ethical conduct of medical personnel. Accordingly, we have formulated internal management systems, such as the Implementation Plan for the Construction of Clean Hospitals (《清廉醫院建設實施方案》) to clarify behaviors such as accepting kickbacks and disciplinary sanctions. A fraud reporting hotline and e-mail channels have also been set up to encourage employees and all sectors of society to report improper behavior, and we will strictly keep the identity of the whistleblower confidential. We are well aware that strict medical governance involves not only improving the quality of medical care, but also moral education, both of which form the cornerstone of a good doctor-patient relationship. We carry out regular inspections and supervision to prevent any incident of corruption through internal management systems such as the Implementation Plan for the Construction of Ethics (《行風建設實施方案》), the Standards for Integrity and Self-discipline (《廉潔自律工作規範》), the Management System of Civilized Medical Practice (《文明行醫管理制度醫療》) and the Nine Prohibitions on the Establishment of Health Ethics (《衛生行風建設九不准》). In addition, we regularly conduct code-oriented training activities to enhance employees' ethical awareness and professional responsibility. We believe that the best way to serve our patients can only be achieved by combining medical professionalism with ethical standards.

The Group attaches great importance to anti-fraud and anti-bribery controls in all business and management activities. The General Manager Office of the Group has formulated the Anti-fraud, Anti-bribery and Whistleblowing Management System (《反舞弊、反賄賂與舉報管理制度》) to regulate the professional conducts of the Company's directors, supervisors and employees, so as to enhance their awareness of compliance and their sense of responsibility in performing their compliance duties. Employees and business partners of the Company can blow the whistle on, complain on or report any fraud, bribery, or any misconduct and suspicious activities to the Company in the course of its operations that they are aware of, by telephone or e-mail.

5 Compliance and Excellent Operation of Hospitals

6 Medical Team Building and Empowerment

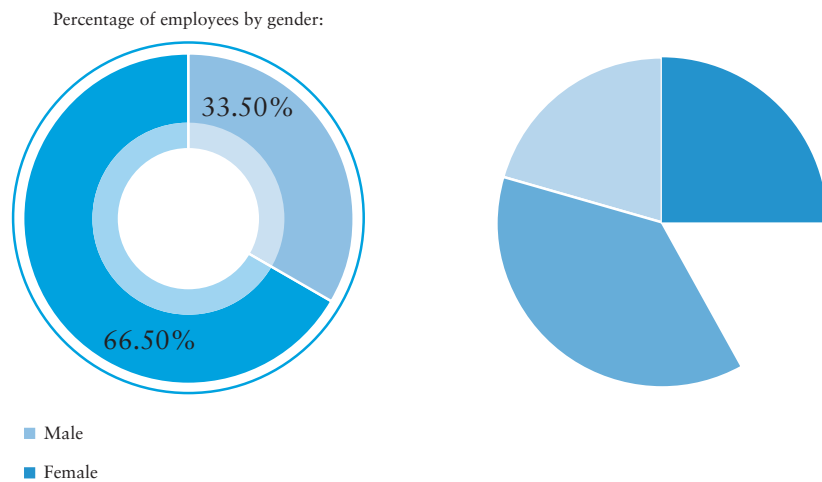
Employees are a key pillar of the Group. We attach great importance to the rights and well-being of employees and are committed to creating a fair, inclusive, and harmonious medical team. We regularly evaluate our human resources policies to ensure they are fair and reasonable. At the same time, we create a people-oriented working environment and pay attention to the physical and mental growth needs of employees to build an open and inclusive team with our employees. During the Year, the Personnel Department started to prepare the summary of the personnel work in 2024 and the deployment of the work plan for 2025, with a view to actively optimizing human resources management and promoting common progress among employees. We believe that through comprehensive review and active initiatives for optimization of human resources management, the work efficiency of our employees will continue to improve, and their physical and mental health will also be properly safeguarded.

6.1 Employment Management

The Group always strictly complies with laws and regulations related to labor and employment, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labor (《禁止使用童工的規定》).

To standardize and administer human resources and employment processes, the Group has formulated the Employee Handbook (《員工手冊》) to regulate and manage the human resources and employment processes, such as recruitment, dismissal, promotion, remuneration, and leave. During the Reporting Period, the Group was not involved in any violation of any relevant laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, etc.

As of 31 December 2024, the Group had a total of 4,869 employees. The percentages of employees by gender and by age group are set out in the following charts¹:



6 Medical Team Building and Empowerment

Recruitment, Promotion and Dismissal

We aim to upgrade our human resource management. In accordance with the requirements of the national standardization of medical quality, the Group focuses on the matching of personnel capability with their positions in medical laboratory. Consequently, we select multiple channels to attract talent based on comprehensive factors such as talent demand analysis and recruitment costs and have formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of “fairness, impartiality, and openness”, and earnestly evaluate whether the candidates’ academic qualifications, working experience, and skills, etc. meet the requirements of the position they are applying for. During the recruitment process, the background factors of the applicants, such as gender, age, nationality, religion, family status, race, marital status, and other categories protected by law, do not affect the interviews, employment, and job opportunities of the applicants.

During the Year, in active response to the requirements of the the Hospital Work Objective Management and Assessment System (《醫院工作目標管理考核制度》), our Group Human Resources Department formulated a detailed human resources work plan with emphasis on key areas such as talent matching, staff practical ability, quality of middle-level cadres and human resources allocation mechanism. The Human Resources Department will lead relevant functional departments to carry out differentiated evaluations focusing on the important work, difficult tasks and outstanding contributions of the Group or the headquarters, so as to ensure that the best candidates are selected for the positions. We recommend outstanding employees for promotion through a fair and reasonable performance appraisal system based on corporate development plans and human resources needs, taking into account their individual performance. At the same time, we implemented appraisal management through quantitative assessment of work performance, and continuously improved relevant policies through employee feedback. These measures ensure that we can effectively allocate human resources and improve work efficiency to better serve the needs of patients and society.

Employees may resign at their own accord. Employees may terminate their employment relationship with the Group at their own discretion, provided they reach an agreement with their supervisors and confirm their last working day. If an employee chooses to resign, we will conduct an exit interview in a respectful manner to understand the reasons and take the opportunity to optimize human resources management. We uphold the principles of equality and freedom to ensure that all decision-making processes are open and fair. The Group’s resignation procedures are in compliance with national laws and labor contracts.

To eliminate the use of child labor or forced labor, we rigorously vet the legal identification information of candidates during recruitment. We sign employment contracts with each employee on a completely voluntary basis under the working hours system to comply with the respective legal procedures. We value work-life balance and set reasonable working hours for employees in accordance with labor regulations. If any illegal use of child labor or forced labor is discovered, we will terminate the contract with the employees in strict accordance with the law, hold relevant persons accountable, and safeguard the labor rights of the employees. We have also set up a reporting channel to encourage employees to monitor and supervise and report any violations immediately. During the Reporting Period, there was no case of child labor or forced labor discovered by the Group.

6 Medical Team Building and Empowerment

6.2 Caring and Welfare for Employees

We enroll our employees in the five insurance and one pension system stipulated by the State, which are endowment insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident fund, and make relevant social insurance contributions for eligible employees. At the same time, we provide supplementary corporate annuity in accordance with the law. Employees are entitled to statutory leave, such as annual leave, marriage leave, maternity leave, sick leave, paternity leave, and other types of leave benefits. In addition to policy benefits, we provide employees with convenient living benefits, such as meal subsidies and housing subsidies. We firmly believe that paying attention to the vital interests of employees will allow them to focus more on their work. This is also our original intention to build a mutually supportive environment.

With an aim to ensure reasonable compensation to our staff, we have formulated the Employee Remuneration Management System 《員工薪酬管理制度》. The system sets basic salary standards in accord with job levels and flexibly allocates salary based on factors such as job allowance and skill improvement. We assess the performance of employees through annual performance appraisals, which are customized according to the position and take into account multiple indicators such as workload and quality. The Group regards the assessment results as an important basis for the evaluation of outstanding employees and the adjustment of salaries and bonuses to stimulate the enthusiasm and initiative of employees. We are committed to establishing a transparent and fair compensation mechanism that not only attracts talented people, but also retains key employees. During the Reporting Period, we flexibly launched various incentive mechanisms in the Group to enhance the loyalty of employees in key positions and stimulate the vitality of the workforce. The main work achievements in 2024 are shown in the following table. In the future, we will further optimize the performance accounting system, give full play to the role of performance-oriented private hospitals in light of their flexible adjustment characteristics, and better stimulate the vitality of the workforce.

Results of Work Performance in 2024

Deepening performance reform of compensation in accord with hard work	Implementation of equity incentive schemes to retain key employees	Tilting the salary structure to attract scarce talent
<ul style="list-style-type: none"> Reformed the performance accounting plan of MECT rooms and payment offices, linked performance incentive with service efficiency, improved per capita efficiency and improve service quality. 	<ul style="list-style-type: none"> In 2024, the Group granted an employee equity incentive plan to eligible middle-level management cadres of all departments and clinicians with intermediate professional titles or above at its own hospitals in phases, with a view to building a shared vision that employees in key positions and the Group will help each other and grow hand in hand. 	<ul style="list-style-type: none"> As doctors in the medical technology departments are talent that are currently in short supply in the medical market, we optimized the salary structure of radiologists and special examination physicians in light of the changes in market salaries to increase the attractiveness of their positions.

6 Medical Team Building and Empowerment

We value the work-life balance of employees and strive to foster a positive work environment. We actively organize various cultural and sports activities to promote the health of employees. We are equipped with a gym, a swimming pool and a basketball arena to enrich the leisure life of employees. Moreover, we support the activities of various amateur clubs, such as football team and dance team, to build a platform for happiness and mutual assistance. In addition, we regularly organize parent-child activities, retirement meetings, annual meetings, and union recuperation sessions to strengthen the bonds between employees' families and colleagues. This is conducive to the all-round growth of employees and enhance their sense of belonging and well-being.

6 Medical Team Building and Empowerment

6.3 Employee Health and Safety Management

As a group that provides healthcare services, we clearly recognize the importance of our employees' physical and mental health to our overall operation. To ensure this, we are committed to providing a safe and healthy working environment for all employees and strictly comply with laws and regulations, such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Measures for the Administration of Occupational Health Examination (《職業健康檢查管理辦法》), the Measures for the Administration of Diagnosis and Confirmation of Occupational Diseases (《職業病診斷與鑑定管理辦法》), and the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》). During the Reporting Period, the Group did not violate any relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. We will continue to pay attention to employee health and safety to ensure that employees can work in a safe environment.

To this end, we have formulated the Hospital Security Management System (

6 Medical Team Building and Empowerment

6.4 Personal Growth and Career Development

We have always believed that talent development is the core element in promoting enterprise development. To this end, we constantly optimize our internal training system to ensure a full range of training guarantees. We have formulated a detailed annual training plan based on the specific needs of each professional position. For new employees, we provide systematic orientation training to help them adapt to the working environment quickly. Meanwhile, we also launched a variety of on-the-job training with a view to enhancing employees' professional skills and management awareness, so as to better cope with the rapid changes in the industry.

In order to improve the professional quality of our medical staff, we developed the Work Plan for Continuing Medical Education 《繼續醫學教育工作計劃》 during the Reporting Period to nurture medical staff with comprehensive quality through multi-channel, multi-method, and multilevel continuing medical education. We actively carry out in-hospital learning activities, organized by the Medical Department and the Nursing Department in according to relevant training plans, and regularly invite experts inside and outside the hospital to give talks and academic lectures, aiming at enriching the professional and technical knowledge of medical staff and ensuring that they can keep up with the pace of industry development. To ensure the realization of high-quality continuing medical education, we have also established a continuing medical education management team, whose primary duties are to supervise, inspect and evaluate the continuing medical education work of our hospitals. We believe that through a systematic continuing medical education system, we will continue to improve the professional capabilities and service standards of our medical staff and provide better medical care for our patients.

We provide training for resident physicians in the form of rotations in psychiatry and related clinical departments. By managing patients, participating in outpatient and emergency work, and various teaching activities, they shall complete the required quantitative clinical targets and designated self-study. For graduation internship, the interns shall further enhance their basic and clinical knowledge of psychiatry, be enabled to grasp the correct and standardized methods of psychiatric history inquiry, physical examination, medical record writing and disease course recording as well as be empowered to understand the mechanism of action, indications, contraindications, adverse drug reactions and their treatment of common psychiatric drugs, and master the diagnosis, differential diagnosis, treatment, prevention, and common diagnostic and therapeutic practices of common diseases in psychiatry and clinical psychology through psychiatric internship projects. The purpose of residency training is to ensure that residents have good professional ethics and interpersonal communication skills, as well as the ability to independently engage in general psychiatric clinical work, so as to ensure that residents can provide quality and professional medical care to patients.

6 Medical Team Building and Empowerment

During the Reporting Period, the Group's employee training percentage and average training hours by gender and employee type are set out as follows:

	Percentage of trained employees ²	Average training hours ³
By gender		
Female staff	100%	23 hours
Male staff	100%	24 hours
By employee type		
Junior staff	100%	21.5 hours
Middle management	100%	33.5 hours
Senior management	100%	18.3 hours

During the Year, we continued to enhance the professional quality and comprehensive ability of our employees and carried out diversified trainings. For all employees, public compulsory courses have been set up, covering topics such as hospital infection, occupational skills, medical ethics, laws and regulations, scientific research integrity, hazardous substances, occupational protection, fire safety, etc., to ensure that employees have a comprehensive grasp of knowledge and emergency skills. For middle-level and reserve cadres, management and professional ability training is regularly carried out, and external exchange activities such as the 12th Kangning Psychiatry International Forum were organized to improve the overall management quality. Moreover, we have deepened the policy of strengthening the hospital with talent, strengthened the construction of the "Three Teams", and implemented the multi-level growth plan. For key employees, the "Finest Plan" has been implemented, and reserve cadres are selected in March and September every year to carry out regular administrative training. For middle-level cadres, the "Elite Plan" is implemented, and the general manager interviews and selects 30 outstanding middle-level managers as hospital directors' candidates. We provide systematic training for senior management personnel and provide customized courses for senior management cadres. In 2024, 7 senior executives were dispatched to participate in external management courses. In the future, we will further improve the training system and optimize the implementation of courses and solutions. The following table sets out the training plan for 2025:

Main plans under the training system in 2025

Regionalization of recruitment plan	Demonstration of Elite Cadres Plan	Elite Program Diversification	Elite program upgrade
<ul style="list-style-type: none"> Taking Wenzhou region as a pilot project, we will innovatively launch the "100-person training", a new employee training activity, to educate new employees with our Group's corporate culture. 	<ul style="list-style-type: none"> Using the Quzhou Yining training system as a demonstration point, it will be promoted to all branches. The Elite Cadres Plan will be closely linked with clinical department training. 	<ul style="list-style-type: none"> Combining the training plans of various functional departments to break down the inherent training barriers and gradually improve the administrative management skills of reserve cadres. 	<ul style="list-style-type: none"> Based on the learning outcomes and work performance of the elite training camp participants and the needs of the branch leadership team, participants will be encouraged to improve themselves and strive to be promoted as members of the leadership team.

2 Percentage of trained employees = number of trained employees in the category divided by the total number of employees in the category x 100%

3 Average training hours = total training hours of employees in the category divided by the total number of employees in the category

7 Practice of Green Healthcare

We not only pay attention to the health of our patients, but also focus on our responsibility for environmental protection. We strictly abide by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other laws and regulations, and have formulated the Energy Conservation Management System (《節能管理制度》) to ensure that the environmental impact of business activities is minimized. We actively implement energy conservation and emission reduction measures to strive for reducing the adverse impacts on the environment, and endeavor to improve resource utilization efficiency to promote sustainable management while strictly controlling the sources of pollution to prevent the occurrence of environmental hazards. During the Year, the Group did not violate any laws related to environmental protection and did not have any significant accidents that had impacts on the environment and natural resources or receive any environment-related punishments or litigation.

It is our long-term pursuit to live in harmony with the environment. Based on our business development and historic environmental data, we set targets to maintain or reduce the intensity of energy use, water use, greenhouse gas emissions, and waste generation under a similar level of business operation. During the Year, we reviewed the progress of our environmental targets and the results were disclosed as follows. We will continue to monitor the progress of our targets and implement targeted measures to build a green healthcare system, realizing sustainable development.

7.1 Management of Greenhouse Gas Emissions

As a healthcare institution, we attach great importance to the reduction of our environmental impacts, especially in the aspect of controlling greenhouse gas emissions. In order to further monitor and evaluate the Group's greenhouse gas emissions, we quantified greenhouse gas emissions in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) jointly developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Standardization Organization. Based on relevant results, we will intensify and implement the measures of various energy conservation, environmentally friendly and low-carbon hospital operation to achieve the effective reduction of greenhouse gas emissions.

In terms of greenhouse gas emissions, Scope 1 direct greenhouse gas emissions mainly arise from fuel consumption of fixed equipment and vehicles owned and controlled by the Group. Scope 2 indirect greenhouse gas emissions arise from fuel consumption related to electricity use in our operations.

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	Unit	2024
Scope 1 Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent (“CO ₂ e”)	759.92
Scope 2 Indirect greenhouse gas emissions	tonnes of CO ₂ e	9,887.15
Total greenhouse gas emissions	tonnes of CO ₂ e	10,647.07
Greenhouse gas emissions per person ⁴	tonnes of CO ₂ e/person	0.23

We are highly aware of the impact of greenhouse gases on the environment and actively take action to reduce emissions. By optimizing equipment updates and energy efficiency retrofits, we strive to reduce CO₂ emissions. For example, we promote LED lighting and optimize power systems. In addition, we attach great importance to environmental education and conduct training regularly to raise employees’

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In order to reduce the Group's energy consumption and achieve the energy consumption target, we have adopted the following energy conservation measures at the locations where we operate:

- Use natural light whenever possible, and use the most energy-efficient light fixtures
- Turn on some lights to increase the brightness as appropriate when it is cloudy or rainy
- No permanent lights are available in public areas at night to ensure efficient use of energy
- Turn off unnecessary lighting and turn off all electrical appliances when not in use
- Divide the hospital office into different areas with independent controllable lighting systems in each area to use lighting mode flexibly
- Turn on the air conditioner and set it to cooling only when the outdoor temperature exceeds 30 °C and it feels stuffy indoors in summer; turn on the air conditioner and set it to heating only when the outdoor temperature is below 5 °C and it feels cold indoors in winter
- Conduct regular cleaning and maintenance of lighting and air-conditioning systems to ensure efficiency
- The security guard on duty at night is responsible for inspecting the energy conservation status of each area and reporting problems to the logistics management office at a timely manner
- Carry out energy conservation and consumption reduction publicity work regularly to enhance employees' awareness of environmental protection, and raise the energy conservation awareness of all employees through trainings
- Adhere to the green office concept to reduce unnecessary power consumption

Energy conservation is an important step in creating sustainable healthcare. In the future, we are committed to communicating and collaborating with more parties to jointly explore medical energy-saving models.

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 18,425.55 MWh of electricity in the course of operation, with an intensity of 401.00 kWh per person, representing an increase from last year, which was mainly due to the increase in power consumption following our business growth. In the future, we will continue to monitor our energy use and take energy conservation measures to reduce our energy use.

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7.3 Water Resources Optimization

Water resources are essential for healthcare and also very precious. We attach great importance to the hygiene and safety of water supply to protect the health of personnel and patients. Given its business nature, the Group attaches great importance to clean and safe sanitation facilities and therefore must provide clean water at all times.

In order to further improve the utilization efficiency of water resources and achieve the consumption target of water resources, we have proactively adopted various water conservation measures:

- Cultivate good water consumption habits among staff and raise their awareness of conservation
- Regularly check the readings of the water meter to identify any damage or leakage in a timely manner, and strengthen daily maintenance management to minimize any waste caused by leakage
- Choose water-saving appliances, such as effectively utilizing toilets with dual-flush functions
- Advocate the use of rainwater recycling systems, such as central condensate recycling systems and secondary water supply systems, to recycle wastewater
- Post water-saving notices to raise water-saving awareness among all staff

The Group sources water from the municipal water supply and we did not have any water access issues during the Reporting Period. During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 3,096,167.00 m³ of water in the course of operation, with an intensity of 67.38 m³ per person, representing an increase as compared with last year, which was mainly due to the increase in water consumption following our business growth. In the future, we will continue to monitor water consumption and adopt water conservation measures to reduce water use.

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7.4 Paperless Office

We have been proactively promoting digitization to save resources. We have successfully implemented electronic medical record information management, and medical records and test reports are in electronic format for easy access and management. Meanwhile, we utilize a mobile cloud office platform to handle business processes, such as reporting, signing, and approving, which significantly reduces the need for printing through online processing.

We also recycle and reuse excess printing paper and other consumables to eliminate waste and exchange electronic information with each clinic site through the cloud to enhance processing efficiency.

Looking forward, the Group will continue to explore more optimization initiatives to establish a zero-waste resource management model. This is also a significant initiative of our continuous efforts toward the goal of “Green Healthcare”.

Measures to reduce paper consumption

Cloud Communication	<ul style="list-style-type: none"> Employees transfer information and documents in the form of electronic communication and electronic files and use the system to quickly access the information of the necessary contacts, so as to realize the paperless address book
Cloud Approval	<ul style="list-style-type: none"> Employees can submit applications for approval for personnel, finance, materials, and information through their mobile phones, and the system will send approval messages in real time to further realize paperless business approval
Cloud Storage	<ul style="list-style-type: none"> As a safe and reliable document library of the Group, various measures to maintain information security are implemented in the system to monitor the sharing and access of documents in real time
Cloud Decision-making	<ul style="list-style-type: none"> Integrate and refer to the hospital’s various operational metric data, and present the data analysis results on the mobile terminal in the form of charts to help managers make decisions based on scientific evidence and data
Cloud Salary	<ul style="list-style-type: none"> Employees can check their salary details through the system at any time

During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. consumed a total of 19,425.00 kg of papers, with an intensity of 0.42 kg per person. In the future, we will continue to monitor paper consumption and adopt effective paper reduction measures to reduce paper use.

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7.5 Waste Disposal

We have taken a series of measures. We categorize and manage waste according to its nature, which is mainly divided into hazardous and non-hazardous waste. We have formulated a comprehensive waste treatment system and clarified the standards of each step, including processes of storage, collection and transportation. We engage professional units to handle hazardous waste safely and regularly evaluate our waste management efforts to continuously optimize processes and practically implement the green healthcare concept.

Hazardous Waste Disposal

We always regard safe disposal of medical waste as a top priority. In order to ensure compliance with relevant regulations, we have engaged a qualified third party to assist all of our healthcare institutions in the classification, collection, storage, transfer and transportation of medical waste in accordance with applicable laws and regulations such as the Medical Waste Management Regulations (《醫療廢物管理條例》), Measures for Medical Wastes Management of Medical and Health Institutions (《醫療衛生機構醫療廢物管理辦法》) and Technical Specifications for Centralized Treatment of Medical Waste (《醫療廢物集中處理技術規範》).

We strictly carry out the classification and management of medical waste and use specialized equipment for professional disposal. Mixed storage or random disposal is strictly prohibited. Meanwhile, we have also established radioactive liquid waste treatment facilities to ensure the standardized use, storage and disposal of radioactive sources and liquid waste. In the future, we will constantly explore better disposal models to improve the standard of medical waste management. In addition, we will actively provide safety education and improve the supervisory capacity in all aspects, striving to build a green healthcare system.

Non-hazardous Waste Disposal

The Group strictly complies with the laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Prevention and Control of Solid Waste Pollution in Zhejiang Province (《浙江省固體廢物污染防治條例》) and the Management Measures for Kitchen Waste in Wenzhou City (《溫州市區餐廚垃圾管理辦法》) for the classification, collection and management of recyclable, non-recyclable and hazardous waste. We proactively recycle resources such as paper, metal, plastic and batteries.

For different types of waste, we carry out segregated classification and collection, and regularly recycle paper, plastic and other renewable resources. At the same time, we have installed purification facilities to handle kitchen waste fumes and engaged professional units for disposal. We also encourage low-carbon life and reduce the source of waste. For example, we advocate the reuse of packaging materials to avoid unnecessary waste, and regularly take stock for reasonable replenishment. In the future, we will continue to intensify our promotion of classification and raise awareness of environmental protection among employees.

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During the Reporting Period, Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd. recorded a total output of non-hazardous waste of 4,468,400.00 kg, with an intensity of 97.25 kg per person; and a total output of hazardous waste, including medical waste, computers, used ink cartridges and used batteries, of 48,316.36 kg in aggregate, with an intensity of 1.05 kg per person. During the Year, the intensity of non-hazardous and hazardous waste output decreased as compared with last year, reflecting our continuously enhanced utilization rate of resources. In the future, we will continue to monitor our waste output and adopt effective measures to reduce waste generation.

7.6 Climate Change Challenges

As a healthcare institution, we are well aware of the profound impacts of this issue on individuals, teams and the society. In order to respond positively and effectively to climate change, we have seriously assessed various risks that may be caused by climate change, and have developed appropriate preventive measures to ensure that our healthcare services will not be affected. At the same time, we have also set practicable greenhouse gas emission reduction targets and reduced emissions at source by optimizing management and enhancing energy efficiency, thereby proactively fulfilling corporate social responsibilities and striving for a sustainable future.

The Group has identified the following climate risks that may have an impact on the Group's business. Regarding these potential impacts, we have developed corresponding measures or systems to effectively address the climate change challenges:

Physical Climate Risks

Rising temperatures and increasing occurrence of extreme weather events, such as extreme heat, cyclones and heavy rainfall, may have serious impacts on the supply chain, hospital facilities, offices and employee commuting. Such extreme weather events may not only give rise to employee safety concerns and lead to disruption of healthcare services, but also affect our steady operation and cause property damage and loss. Extreme weather disasters may affect power supply, forcing temporary closure of offices. In addition, rising temperatures may cause hospitals to increase the use of cooling equipment, which will further increase power demand and operating costs. In order to tackle these challenges, the Group has actively formulated extreme weather emergency plans to safeguard the safety of employees and patients while maintaining the normal operation of the hospital. During the Reporting Period, we also provided disaster response training and escape drills for employees to enhance their ability to respond to emergencies.

Policy and Regulatory Risks

With various countries actively committing to achieving carbon neutrality targets, governments and regulators may implement more stringent policies and measures to promote the achievement of emission reduction targets. For listed companies, regulators may propose more stringent governance and disclosure requirements, which will expose the Group to reporting and disclosure compliance risks. Such situation may cause issues such as increased costs and fines for non-compliance to us, and we may be subject to more stringent ESG standards, affecting our investment amounts. We attach great importance to compliance-related risks and proactively keep abreast of the latest laws and regulations on climate change and those related to ESG, and incorporate them into our management strategy, thereby ensuring corresponding measures have been taken in a timely manner to safeguard our compliance and business stability.

7 Practice of Green Healthcare

Reputational Risk

With stakeholders expecting higher standards from the Company regarding its climate response action, if we fail to respond effectively to such demands, our corporate reputation will be affected, and we may lose our competitive advantage when competing with our competitors with better sustainable performance. In view of this, we will pay close attention to the updated development of environment-related policies, actively respond to the national call for “Dual Carbon”, and strengthen communication and information exchange with stakeholders. Meanwhile, we will publicly disclose the Company’s green and low-carbon efforts in the ESG report to proactively maintain the corporate image.

Through the above risk assessment process, we have gained a clearer understanding of the Group’s potential risks related to climate change. We will continue to proactively face the challenges arisen from climate change and formulate corresponding measures to strengthen our response ability and mitigate relevant impacts. We hope to mitigate the climate warming trend through practical actions and incorporate this concept into our decision-making and daily operation, thereby working with all stakeholders to address environmental issues of common concern.

8 Community Contribution and Community Support

We always uphold the business philosophy of “giving back to the society”, and firmly believe that corporations shall actively contribute to the society. The Group not only focuses on the development of healthcare business, but also actively participates in and supports public welfare activities through various channels to enhance the health standard of the community. We are actively engaged in community investment. During the Reporting Period, we invested more than RMB1.51 million to support various community welfare programs, such as charity healthcare and assistance to orphans, and help disadvantaged groups through professional healthcare, in particular, we donated over RMB1 million. In the future, we will continue to work with all sectors to build a healthy community for all and participate in more aspects of public welfare for the benefit of the society.

8.1 Assistant and Support Programs

Launch of “Medical Deer Starlight (醫鹿星光)” Public Welfare Care and Assistant and Support Program

The Kangning Hospital, which is affiliated to Wenzhou Medical University, ushered in the inauguration ceremony of the “Medical Deer Starlight” Assistant and Support Base and Employment Practice Base for Caring Autistic Children. This event aimed to provide more support and care to autistic children to facilitate their social integration and self-development.

Leaders such as Director Hu Yundong and Deputy Director Yang Xin of Lucheng Branch of Wenzhou Healthcare Security Administration attended the inauguration ceremony. Besides, Zhou Zhongde, the honorary president of Wenzhou Tianai Public Welfare Association (溫州市天愛公益協會), Xu Xiangru, the vice chairman of Tongxingyuan Parents Mutual Aid Association (同星園家長互助協會) in Lucheng District, and a number of senior executives of Kangning Hospital Group also participated in this important occasion.

After the close of the ceremony, Kangning Hospital and Tongxingyuan Parents Mutual Aid Association jointly held a blue car sales public welfare event. During the event, more than 200 pieces of cakes, breads and biscuits hand-made by autistic youngsters were sold at the stalls in the hospital, attracting many warm-hearted people to come visit and support. In just 10 minutes, these delicious foods were sold out, showing the care and support of all sectors of the society for autistic children.

8 Community Contribution and Community Support

This event not only provided practical opportunities for autistic youngsters, but also attracted more people's attention to the needs and potential of this group. Through such public welfare program, it is hope that "Medical Deer Starlight" would create a better future for autistic children.



Appendix I: Sustainability Data Statement

The scope of environmental key performance indicators (KPIs) in the Report covered the healthcare businesses directly controlled by the Group, including Wenzhou Kangning, Cangnan Kangning Hospital Co., Ltd., Yongjia Kangning Hospital Co., Ltd., Wenzhou Yining Geriatric Hospital Co., Ltd., Yueqing Kangning Hospital Co., Ltd., Pingyang Kangning Hospital Co., Ltd. and Pingyang Changgeng Yining Hospital Co., Ltd., of which the sustainability data statement in the subject area of environment is set out as follows:

	Unit	2024
Emissions⁵		
Nitrogen oxides (NOx)	kg	409.51
Sulphur oxides (SOx)	kg	0.92
Particulate Matters (PM)	kg	38.11
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes of CO ₂ e	759.92
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO ₂ e	9,887.15
Total greenhouse gas emissions (Scope 1 & 2)	tonnes of CO ₂ e	10,647.07
Greenhouse gas emissions per person ⁶	tonnes of CO ₂ e/person	0.23
Energy consumption		
Natural gas consumption	m ³	125,884.00
Liquefied petroleum gas consumption	kg	11,378.70
Gasoline consumption	litre	50,977.00
Diesel consumption	litre	11,255.84
Vegetable oil fuel consumption	litre	13,193.00
Consumption of purchased electricity	kWh	18,425.55
Consumption of purchased electricity per person ⁶	kWh/person	401.00
Water consumption		
Water consumption	m ³	3,096,167.00
Water consumption per person ⁶	m ³ /person	67.38
Paper consumption		
Paper consumption	kg	19,425.00
Paper consumption per person ⁶	kg/person	0.42
Waste generation		
Non-hazardous waste generation	kg	4,468,400.00
Non-hazardous waste generation per person ⁶	kg/person	97.25
Hazardous waste generation	kg	48,316.36
Hazardous waste generation per person ⁶	kg/person	1.05

5 We calculate the Group's air pollutant emissions with reference to the Stock Exchange's "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs".

6 Calculated based on the number of employees at the end of the Year and the number of discharged patients during the Reporting Period.

Appendix I: Sustainability Data Statement

	Unit	2024
Total employee turnover rate⁷	%	20.55
Employee turnover rate by gender		
Female employees	%	19.43
Male employees	%	22.66
Employee turnover rate by age group		
Employees aged under 30	%	21.69
Employees aged between 30 and 50	%	11.53
Employees aged above 50	%	31.37
Employee turnover rate by geographical region		
Employees from North China	%	47.57
Employees from Northeast China	%	19.83
Employees from East China	%	19.32
Employees from Central China	%	22.49
Employees from Northwest China	%	0.00
Employees from South China	%	39.16

⁷ Employee turnover rate is calculated based on the number of employees lost divided by the sum of the number of employees lost and the number of employees at the end of the Year.

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environmental aspect			Relevant sections
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7 Practice of Green Healthcare – 7.1 Management of Greenhouse Gas Emissions; 7.5 Waste Disposal
	A1.1	The types of emissions and respective emissions data.	Appendix I: Sustainability Data Statement
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7 Practice of Green Healthcare – 7.1 Management of Greenhouse Gas Emissions; Appendix I: Sustainability Data Statement
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7 Practice of Green Healthcare – 7.5 Waste Disposal; Appendix I: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7 Practice of Green Healthcare – 7.4 Paperless Office; 7.5 Waste Disposal; Appendix I: Sustainability Data Statement
	A1.5	Description of emission target(s) set and steps taken to achieve them.	7 Practice of Green Healthcare – 7.1 Management of Greenhouse Gas Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7 Practice of Green Healthcare – 7.4 Paperless Office; 7.5 Waste Disposal
A2: Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7 Practice of Green Healthcare – 7.2 Energy Efficiency and Management; 7.3 Water Resources Optimization; 7.4 Paperless Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7 Practice of Green Healthcare – 7.2 Energy Efficiency and Management; Appendix I: Sustainability Data Statement

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environmental aspect			Relevant sections
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7 Practice of Green Healthcare – 7.3 Water Resources Optimization; Appendix I: Sustainability Data Statement
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7 Practice of Green Healthcare – 7.2 Energy Efficiency and Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7 Practice of Green Healthcare – 7.3 Water Resources Optimization
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given its business nature, the Group does not produce any finished products nor does it have any industrial facilities. Therefore, no significant amount of packaging material is used in the course of daily operation.
A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer’s significant impacts on the environment and natural resources.	7 Practice of Green Healthcare
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7 Practice of Green Healthcare
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7 Practice of Green Healthcare – 7.6 Climate Change Challenges
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7 Practice of Green Healthcare – 7.6 Climate Change Challenges

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Social aspect			Relevant sections
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6 Medical Team Building and Empowerment – 6.1 Employment Management; 6.2 Caring and Welfare for Employees
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Statement
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statement
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6 Medical Team Building and Empowerment – 6.3 Employee Health and Safety Management
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6 Medical Team Building and Empowerment – 6.3 Employee Health and Safety Management
	B2.2	Lost days due to work injury.	6 Medical Team Building and Empowerment – 6.3 Employee Health and Safety Management
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6 Medical Team Building and Empowerment – 6.3 Employee Health and Safety Management
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6 Medical Team Building and Empowerment – 6.4 Personal Growth and Career Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6 Medical Team Building and Empowerment – 6.4 Personal Growth and Career Development
	B3.2	The average training hours completed per employee by gender and employee category.	6 Medical Team Building and Empowerment – 6.4 Personal Growth and Career Development
B4: Labor Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	6 Medical Team Building and Empowerment – 6.1 Employment Management
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	6 Medical Team Building and Empowerment – 6.1 Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	6 Medical Team Building and Empowerment – 6.1 Employment Management

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Social aspect			Relevant sections
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	5 Compliance and Excellent Operation of Hospitals – 5.4 Supply Chain Compliance
	B5.1	Number of suppliers by geographical region.	5 Compliance and Excellent Operation of Hospitals – 5.4 Supply Chain Compliance
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how such practices are implemented and monitored.	5 Compliance and Excellent Operation of Hospitals – 5.4 Supply Chain Compliance
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5 Compliance and Excellent Operation of Hospitals – 5.4 Supply Chain Compliance
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5 Compliance and Excellent Operation of Hospitals – 5.4 Supply Chain Compliance
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided and methods of redress.	5 Compliance and Excellent Operation of Hospitals – 5.1 Service Quality Assurance and Improvement; 5.2 Data Protection and Privacy Guarantee
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the Group operates the healthcare business, there are no products sold or shipped subject to recalls for safety and health reasons.
	B6.2	Number of products and service related complaints received and how they are dealt with.	5 Compliance and Excellent Operation of Hospitals – 5.1 Service Quality Assurance and Improvement
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5 Compliance and Excellent Operation of Hospitals – 5.3 Intellectual Property Right Protection and Scientific Research Innovation
	B6.4	Description of quality assurance process and recall procedures.	5 Compliance and Excellent Operation of Hospitals – 5.1 Service Quality Assurance and Improvement
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5 Compliance and Excellent Operation of Hospitals – 5.2 Data Protection and Privacy Guarantee

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Social aspect			Relevant sections
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	5 Compliance and Excellent Operation of Hospitals – 5.5 Anti-Corruption and Corporate Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5 Compliance and Excellent Operation of Hospitals – 5.5 Anti-Corruption and Corporate Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5 Compliance and Excellent Operation of Hospitals – 5.5 Anti-Corruption and Corporate Ethics
	B7.3	Description of anti-corruption training provided to directors and staff.	5 Compliance and Excellent Operation of Hospitals – 5.5 Anti-Corruption and Corporate Ethics
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8 Community Contribution and Community Support
	B8.1	Focus areas of contribution.	8 Community Contribution and Community Support
	B8.2	Resources contributed to the focus area.	8 Community Contribution and Community Support

温州康宁
Wenzhou Kangning Hospital Co.,