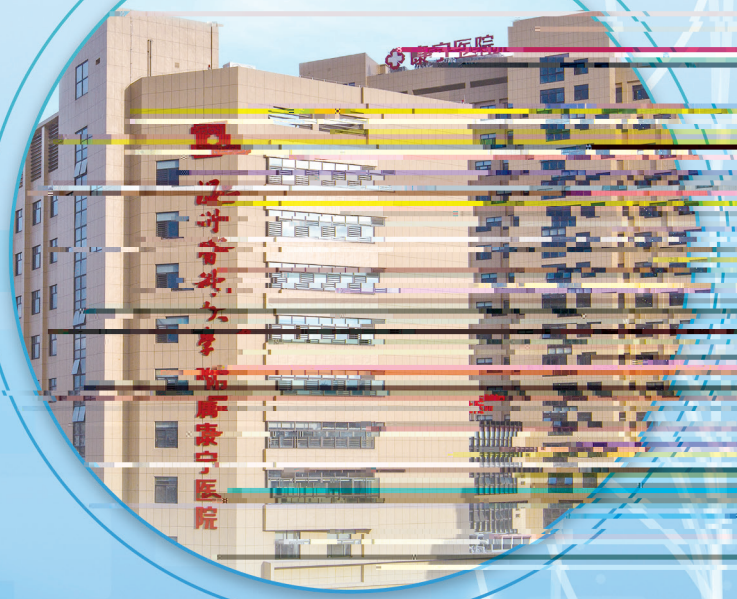


2023

(A joint stock limited liability company incorporated in the People's Republic o

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 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 "

1 About the Report

1.2 Reporting Scope

The Report presents the Group's overall performance regarding sustainable development from 1 January 2023 to 31 December 2023 (hereinafter referred to as 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 23 April 2024.

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 private healthcare group that provides comprehensive specialty healthcare services to patients with mental illnesses. According to the development strategy layout for transformation of specialized chain cluster, driven by the dual segments of psychiatric specialty and geriatrics, the Group has 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 steadily developing its business, the Group is also actively involved in public welfare and charity undertakings. The Group has set up several charity funds such as "Wenzhou Charity Federation Kangning Mental Illness Charity Fund", and these funds carry out charity relief activities all year round. 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 number of the Group's own hospitals has increased to 32, including an independently established network hospital, namely Yining Psychological Network Hospital.

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

Award and honor	Awarding authority
2022 "Love Wenzhou – Charity and Medical Assistance" Program Annual Work Excellence Award	Wenzhou Charity Federation
2023 Top 10 Models of Digital Healthcare	China Times
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
2022 Best Brand Communication Medical Institution – Xingyao Hospital	Dingxiangyuan Yiyuanhui
Pioneer Worker in Zhejiang Province	Zhejiang Provincial Federation of Trade Unions
2021-2022 Top 100 Private Enterprises in Wenzhou	Wenzhou Private Economy Development Promotion Bureau Wenzhou General Chamber of Commerce
2022 Enterprises with Outstanding Contributions in Lucheng District	Lucheng District People's Government of Wenzhou City
The 4th "Wenzhou Charity Award" Charity Project Award	Wenzhou Municipal People's Government

3 Chairman's Statement

Dear stakeholders,

2023 was an important year for the continuous advancement of building a "Healthy China"

3 Chairman's Statement

The promulgation of the "14th Five-Year Plan" National Health Plan further emphasized that the planning for private medical industry should continue to guide and support social forces to develop rehabilitation, nursing, mental health and other fields, and has put forward new requirements and pointed out new directions for the development of medical and health undertakings. Besides, a series of policies encourage the acceleration of establishing hospitals by leveraging social capital, creating a favorable environment for the development of the Group.

Adhering to the principle of "keeping righteousness and innovation while seeking progress on top of stability (守正創新, 穩中求進)", the Group will consistently optimize its business structure, deepen the development of the medical business of owned hospitals, bolster its arrangement for developing in the mental health and elderly care industry, and further enhance its core competitiveness. We will continue to innovate, move forward steadily, take on the challenges in the new stage of development, and apply ourselves to playing an active role in the development of China's health cause.

GUAN Weili
Chairman
Zhejiang, the PRC
April 2024

4 Sustainable Development Governance and Strategy

The Board of Directors

- Undertake all obligations towards ESG strategies
- Identify, evaluate, determine and review ESG-related risks and goals
- Establish appropriate ESG risk management and internal control system

The Management

- Evaluate and manage risks during operation
- Confirm with the Board of Directors the effectiveness of risk management and internal control system

The ESG Working Group

- Identify significant ESG issues
- Review and supervise relevant policies and practices
- Report to the Board of Directors and propose appropriate suggestions on a regular basis

Each Department

- Implement ESG policies
- Collect internal policies and data
- Give feedback on the effectiveness of policies and provide recommendations for improvement

ESG governance structure

4.3 Communication with Stakeholders

The Group attaches great importance to the opinions and support of various stakeholders, and we maintain an open and transparent attitude and actively communicate 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 Sustainable Development Governance and Strategy

During the Year, we followed up with our stakeholders, including patients and their families, employees, shareholders, regulatory authorities, industry partners, suppliers, media, and community groups, through various channels, to build lasting and long-term trust and jointly promote sustainable development.

Stakeholders	Communication channels	Issues concerning ESG
Patients and their families		

4 Sustainable Development Governance and Strategy

Stakeholders	Communication channels	Issues concerning ESG
Media	• Results announcement • Press conference/press release • Interviews with the senior management	• Protection of ecological environment • Information disclosures • Responsible marketing
Communities/ non-government groups	• Community investment plans • Community activities • Donations	• Contribution to community • Implementation of energy conservation and emission reduction • Medical accessibility/inclusiveness

4.4 Materiality Assessment

With reference to the disclosure obligations set out in the Guide, and the Materiality Map of the Sustainability Accounting Standards Board (SASB), the Group reviews the extent of the impact of ESG-related issues on the Group and stakeholders, taking into account its business operations and benchmarking against the best practices of its peers. In 2023, the Group conducted a 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, 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 current year.

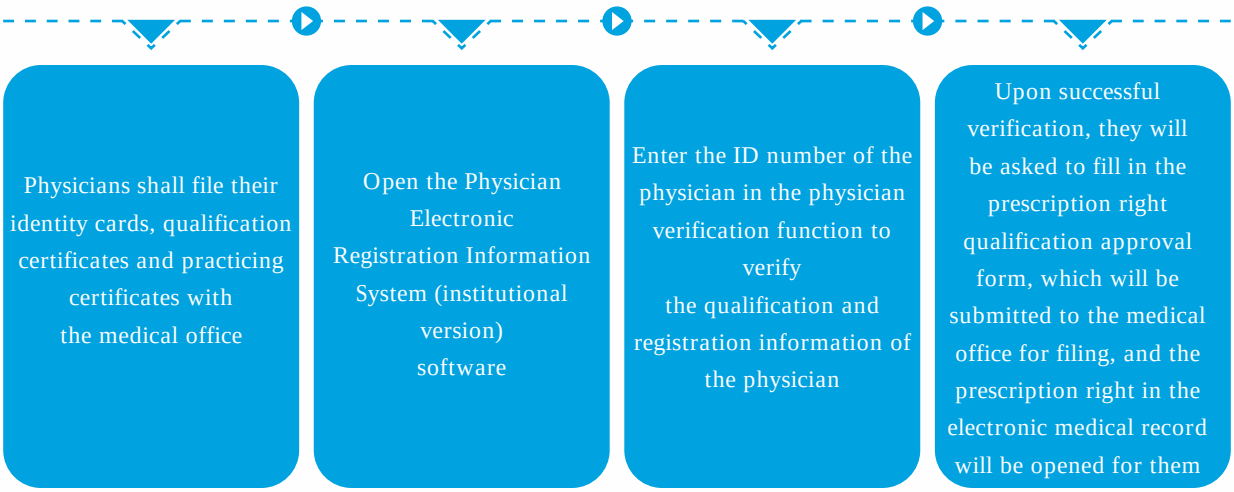
The Group has identified a total of 35 issues covering ESG, including 22 highly material issues and 13 moderately material issues, which are highlighted to varying degrees in the Report and are taken as key considerations in formulating ESG policies and strategies.

4 Sustainable Development Governance and Strategy

Highly material issues	Moderately material issues
• Climate change	• Up-to-standard discharge of emission and measures for emission reduction
• Effective utilization of resources	• Greenhouse gas emission reduction
• Up-to-standard discharge of wastewater and measures for emission reduction	• Energy consumption
• Establishing and improving medical waste management procedures	• Utilization of water resources
• Formulation of guidelines and objectives for environmental protection	• Employee equality and diversity
• Provision of competitive remuneration, benefits, and promotion channels	• Promotion of investment activities for the

5 Hospital Compliant Operation

We conduct regular supervision and assessment for medical staff at all levels. The content and details of the assessment are formulated according to each professional position. The 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》) examines 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》), specifying the process for verification and approval of physicians' qualification information, to ensure their practicing qualifications and prescribing rights.



Process for verification and approval of physicians' qualification information

Customer Complaint and Communication Management

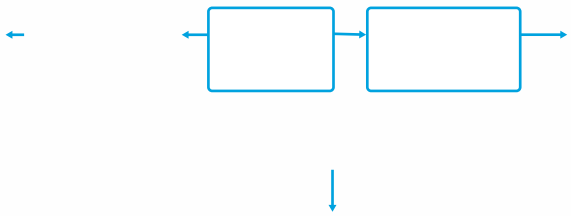
In order to better serve patients and their families, we promote open and transparent communication channels. We welcome patients and their families to give us their valuable opinions and suggestions through various channels. We will listen sincerely to customers and respond to complaints in a timely manner and take remedial measures. The Group listens to patients' opinions and suggestions through various channels such as door-to-door visits, phone calls, and the Internet. By handling all kinds of complaints fairly and impartially, we hope to safeguard the legitimate rights and interests of all parties and create a harmonious and transparent medical environment. At the same time, complaints and feedback will also help us to continuously optimize our service operations.

5 Hospital Compliant Operation

In order to provide an open channel for patients or their families and the public to vent their negative feelings towards the 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》), 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 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 the form of phone calls, letters, or visits.

We focus on communication with patients and customers and expect to continuously optimize and improve our communication-related services. Every month, our Outpatient Department and Care Unit collect 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》). At the same time, the hospital office summarizes and analyzes the quarterly survey data to form an analysis report, which is announced at the service quality management team meeting at the end of each quarter. The meeting will discuss the satisfaction level of the previous quarter, analyze the common problems and repeated complaints that emerge after the survey, formulate improvement measures, and track the implementation of each unresolved issue in a timely manner.

5 Hospital Compliant Operation



5 Hospital Compliant Operation

We incorporate information security management into our daily work and continuously improve our measures. It is also an important part of our responsible 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. The Group has implemented real-time uploading and automatic backup of information to cloud computing centers and third-party storage centers. This system enables the sharing of data resources on the basis of setting certain permissions and ensures data security. The Information Engineering Department has formulated the Data Extraction System to strengthen the information security of the hospitals, make the data extraction and approval work systematic, standardized and process-oriented, and safeguard the security of each information system.

In addition, we have formulated multiple rules, including the Rules for Protecting Patients' Privacy (《患者隱私保護制度》), the Notification Rules for Patients' Informed Consent (《患者知情同意告知制度》), the Implementing Rules for Medical Notification System (《醫療告知制度實施細則》), the Protective Medical Rules and Rules for Protecting Patients' Privacy (《保護性醫療制度和保護病人隱私制度》) and the Rules for Protecting Patients' Privacy, Respecting Patients' National Customs and Religious Beliefs (《保護患者隱私、尊重患者民族風俗和宗教信仰制度》) to ensure and limit the use and disclosure of patient-related data, and clarify the handling and management of patient privacy in the course of treatment and examination.

We value the compliance and authenticity of information disclosure. The Group strictly complies with laws and regulations, such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Rules for Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Regulation of the People's Republic of China on the Customs Protection of Intellectual Property Rights (《中華人民共和國知識產權海關保護條例》). We do not tolerate any use of false or misleading information. We strictly control every detail of information disclosure to ensure that everything provided to the public is true and accurate.

5.3 Maintenance of Intellectual Property Rights

We deeply understand the importance of intellectual property rights. We also attach great importance to the joint

5 Hospital Compliant Operation

5.4 Supply Chain Norms

We value long-term cooperation with suppliers and are committed to establishing a responsible and sustainable supply chain management system. We strictly comply with laws and regulations, such as 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 (

5 Hospital Compliant Operation

During the Reporting Period, the Group involved a total of 383 medical device suppliers. At present, the supplier practice is implemented in a total of 92 suppliers only of the headquarters and the Wenzhou region. All of them are from China. The distribution of their numbers by region is as follows:

Region	Number of Suppliers (units)

5 Hospital Compliant Operation

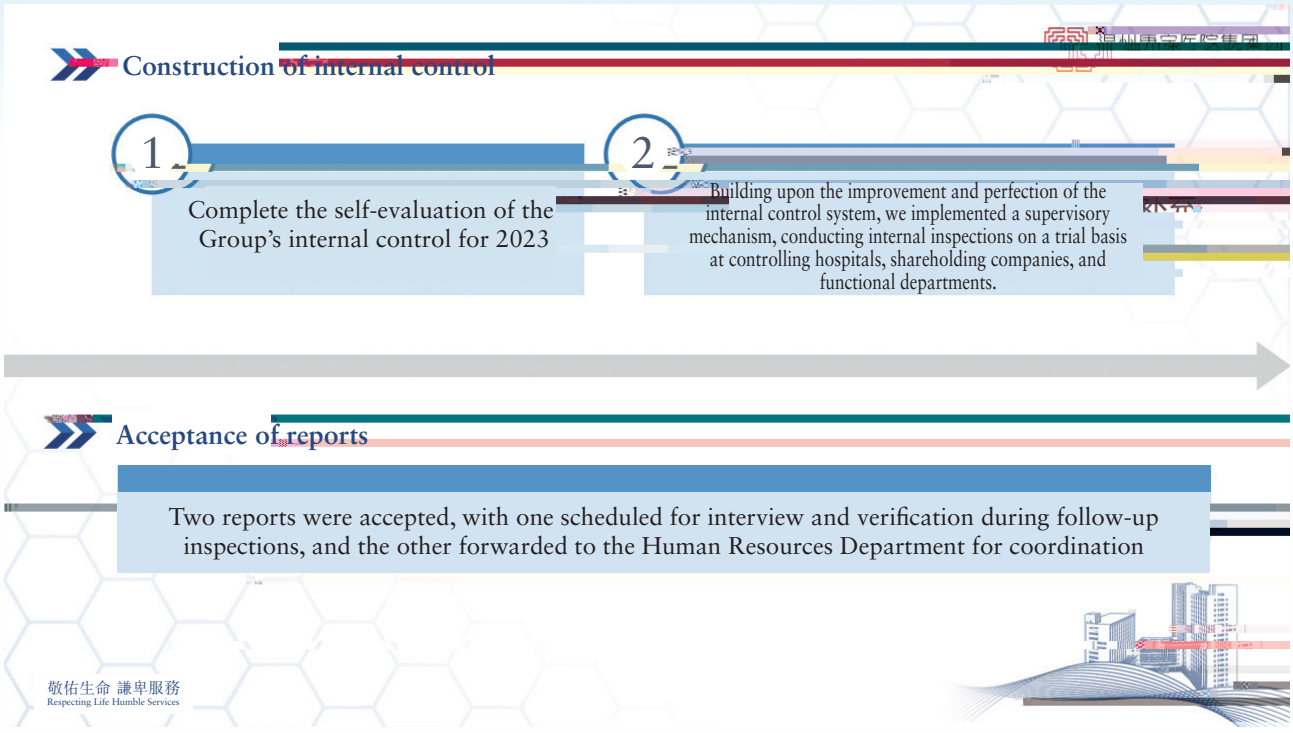
We attach great importance to the development of ethical conduct of medical personnel. We have formulated internal management systems, such as the Implementation Plan for the Construction of Clean Hospitals (《清廉醫院建設實施方案》) to clarify behaviors such as accepting kickbacks and disciplinary sanctions. We have also set up a fraud reporting hotline and e-mail channels to encourage employees and all sectors of society to report improper behavior, and strictly keep the identity of the whistleblower confidential. We are fully aware that strict medical governance involves both medical quality and moral education, which is also the cornerstone of the doctor-patient relationship. We carry out occasional inspections and supervision to prevent 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》), as well as regular training activities oriented to the code of conduct, to enhance the moral awareness of employees. We pursue and stick to both qualified medical skills and integrity.

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 behaviors of directors, supervisors, and employees in order to enhance the awareness of compliance and the fulfillment of compliance duties by all staff. Employees and business partners of the Group can blow the whistle on, complain on or report any fraud, bribery, or any misconduct and suspicious activities related to the Group in the course of operations that they are aware of, by telephone or e-mail.

We emphasize and actively carry out integrity education, provide regular anti-corruption and integrity training for board members and employees, and enhance daily education to raise awareness of compliance and integrity.

During the Reporting Period, we conducted training for directors, supervisors and all colleagues on the prevention of corruption and fraud to help employees correctly distinguish the gray belt of compliance and to establish a code of conduct for integrity and responsibility. In the interim promotion campaign of the Group, we delivered key audit reminders to all middle and senior executives, focusing on education and training on the requirements related to integrity and self-discipline, anti-corruption and anti-fraud, the corresponding internal control requirements, and cases reported in the first half of the year.

5 Hospital Compliant Operation



The Group's Interim Promotion Campaign-Anti-Corruption and Anti-Fraud Training

Employees are a key pillar of the Group's sustainable development. 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, pay attention to the physical and mental growth needs of employees, and work together to build an open and inclusive team. We will continue to optimize our human resource management and achieve common progress with our employees.

6.1 Employment Management

The Group 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 (《禁止使用童工規定》).

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

Recruitment, Promotion and Dismissal

During the Year, we systematically carried out personnel-related work. In accordance with the requirements of the national standardization of medical quality, the Group has made efforts to promote the matching of personnel and posts in medical laboratory. We select multiple channels to attract talents based on comprehensive factors such as talent demand analysis and recruitment costs. The Group has formulated the Recruitment Management Measures (《招錄管理辦法》). During the recruitment process, the Group has always adhered to the principles of "fairness, impartiality, and openness" in considering the academic qualifications, working experience, and skills of the applicants to assess whether they have met the requirements of the employment positions. 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.

The Human Resources Department of the Group formulates annual human resources work plans in accordance with the Hospital Work Objective Management and Assessment System (《醫院工作目標管理考核制度》), and conducts strategic planning in terms of talent matching, practical ability of personnel, quality of middle-level managers, and human resources deployment mechanism. We focus on the important works of talent building, to provide differentiated evaluations and select the best candidates based on the difficult works of and outstanding contributions. We recommend outstanding employees for promotion through a fair and reasonable performance appraisal system based on corporate development planning, human resources needs, and employee performance. We implement assessment management to quantitatively evaluate work performance, and improve human resource policies through employee feedback.

Employees may resign at their own will. 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 any decision-making process is 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.

6.2 Welfare and Caring for Employees

We are committed to creating a harmonious and friendly working environment and attach great importance to the welfare of our employees. We enroll our employees in the five insurance and one pension system stipulated by the State, such as 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 employees can concentrate more on their work when their vital interests are taken care of. This is also our original intention to build a mutually supportive environment.

We have formulated the Employee Remuneration Management System (《員工薪酬管理制度》), which established a diversified remuneration structure system in accordance with national regulations and industry standards. The system sets basic salary standards based on job levels and allocates salary based on factors such as job allowance and skill improvement. We assess the performance of employees through annual performance appraisals, which are individually set 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, thus stimulating the motivation and initiative of employees. We attach importance to the establishment of a fair and standardized remuneration mechanism, which is also conducive to attracting and retaining talents. We will continue to improve the remuneration system.

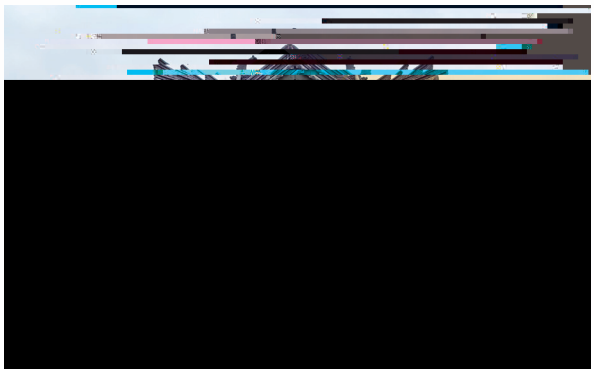
We attach importance to work-life balance and actively organize various cultural and sports activities to promote the healthy development of all staff. We provide facilities such as gyms, swimming pools, and basketball courts to enrich the spare life of employees. We also support the activities of various spare time clubs, such as football teams and

We are convinced that the quality of employees' work can only be optimized if they have a peaceful and balanced mind and body. At the same time, a good corporate culture attracts and retains talented people.

Listening to Your Heart Session - "Special Session for Nurse"

Summer Nursery Program – "Love in Kangning, Accompanying Your Child"

Employee Caring Activity—Hospital leaders visited frontline employees during the grade review period



Fitness vacations organized by the Labor Union

6.3 Health and Safety Guarantee

As a healthcare provider, we understand the importance of the physical and mental health of our employees. 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 attach great importance to occupational health and safety and take a holistic approach to management. We have formulated the Hospital Security Management System (《醫院保安管理制度》) and the Hospital Fire Safety Management System (《醫院消防安全管理制度》). We implement various protective measures in accordance with the principle of "Focus on prevention, and Assure key points". We carry out inspections and supervision from time to time and rectify problems in a timely manner. At the same time, we conduct training to enhance safety awareness and provide qualified protective equipment.

We also standardize the handling process through the Employee Work-related Injury Management System (《員工工傷管理制度》), including reporting and reimbursing employees in the event of work-related injuries, so as to provide a basis for employees who are injured at work to follow and protect their rights and interests. At the same time, the Group provides regular medical check-ups for employees to safeguard their health. We provided annual health examinations in July during the Year for eligible employees who work in the Group's hospitals. We are committed to integrating health and safety into management details to create a safe and healthy working environment for our employees.

During the past three years (including the Reporting Period), there was no serious work-related fatal accident involving employees, and the cumulative number of lost working days due to work-related injuries throughout the Year was 970 days. The types of work-related injuries included moving and carrying patients, slips, and traffic accidents.

Employee health and safety has always been a priority for us. We have formulated a series of internal policies and guidelines and conducted training on prevention and response to emergencies. The Group continues to optimize the construction of the institutional environment so as to improve the overall safety management level. In the future, we will continue to deepen the relevant work, strengthen safety training, improve employees' awareness of self-protection, enhance safety monitoring, and identify potential risks.

6.4 Development and Cultivation of Medical Personnel

We are well aware of the importance of talent cultivation. We constantly optimize our internal teaching system and provide all-round training. We formulate annual training plans based on the needs of each professional position. We provide induction training for new employees to help them adapt to their jobs, and offer a series of on-the-job training to enrich the professional skills and management knowledge of current employees.

During the Reporting Period, we formulated the Work Plan for Continuing Medical Education (《繼續醫學教育工作計劃》

WENZHOU KANGNING HOSPITAL CO., LTD.

2023 ANNUAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

7 Green Healthcare

We only pay attention to the health of our patients, but focus on our environmental responsibility. 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 our business activities is minimized. We actively carry out energy conservation and emission reduction to reduce the impact on the environment, strive to improve resource utilization efficiency to achieve sustainable management, and strictly control the sources of pollution to prevent environmental hazards. During the Year, the Group did not violate any regulations on environmental protection and did not have any significant accidents that had adverse impacts on the environment and natural resources or any environment-related punishments or litigation.

It is our long-term pursuit to live in harmony with the environment. Taking into account the business development and past environmental data, the Group set targets last year to maintain or reduce the intensity of energy use, water use, greenhouse gas emissions, and waste generation based on a similar level of business operation. During the Year, we reviewed the progress of our environmental targets. In terms of electricity consumption and waste, our management has achieved initial success, with a decrease in density compared to last year; in terms of greenhouse gas emissions, our density is basically the same as last year; and in terms of water use, the density of consumption has risen during the Year, and we will continue to manage the use of water resources. In the future, we will continue to monitor the progress of our targets and implement targeted measures to build a green medical system.

7.1 Management of Greenhouse Gas Emissions

As a medical institution, we focus on reducing our environmental impact and 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 by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Standardization Organization and intensified and implemented the measures of various energy conservation, environmentally friendly and low-carbon hospital operation to achieve the reduction of greenhouse gas emissions according to the relevant results.

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

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During the Reporting Period, the greenhouse gas emissions in the process of operation of 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. are as follows:

		Unit	2023
Scope 1	Direct greenhouse gas emissions	Tonnes of carbon dioxide equivalent ("CO_2e")	1,904.31
Scope 2	Indirect greenhouse gas emissions	Tonnes of CO_2e	9,693.65
Total greenhouse gas emissions		Tonnes of CO_2e	11,597.96
Greenhouse gas emissions per person[3]		Tonnes of CO_2e/person	0.23

We are aware of the impact of greenhouse gases on the environment and actively take action to reduce emissions. We reduce CO2 emissions by optimizing equipment updates and energy efficiency retrofits. For example, we promote LED lighting and optimize power systems. In addition, we attach great importance to environmental education and conduct regular training to raise employees' awareness of emissions reduction. Please refer to the Energy Use Management section for details. We will continue to improve our work and transition to a low-carbon future.

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 11,597.96 tonnes of CO_2e during operation, with an intensity of 0.23 tonnes of CO_2e per person, representing an increase of approximately 13.73% as compared to last year, while the intensity of greenhouse gas emissions was basically the same as last year. We will continue to monitor our greenhouse gas emissions and take measures to reduce emissions and energy use, maintain our emission targets, and strive to maintain or reduce emission intensity.

7.2 Energy Use Management

As hospitals are generally open 24 hours a day and have complex energy requirements such as specific airflow control and specialized heating, ventilation and air-conditioning systems and energy-intensive medical equipment. Medical institutions consume a lot of energy and are one of the energy consumers in the community. However, we attach great imp ( )TJare3 the energy ervoperae t(Managemrgy Tdis lraeour gring operatails.andictlyhave cyion, w to the Ene8 ( )TJ6.092 Tw

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In order to reduce the Group's energy consumption and achieve the energy conservation target, we have adopted the following energy-saving measures at the locations of our operations:

- Mostly use natural light on sunny days during the day, maximize the use of natural light whenever possible, and use the most energy-efficient light fixtures
- Turn on some lights to increase the brightness on rainy days
- Turn off most lights and turn on some lights in the afternoon after work
- No permanent lights in public areas at night
- 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, and implement the working mode of flexible use of lighting system
- Turn on the air conditioner and set it to cooling when the outdoor temperature exceeds 30℃ and it feels stuffy indoors in summer; turn on the air conditioner and set it to heating when the outdoor temperature is below 5℃ 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 any problems to the logistics management office
- Carry out regular energy conservation and consumption reduction publicity work to enhance employees' awareness of environmental protection and raise the energy conservation awareness of all employees through training, etc.
- 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 16,997.45 MWh of electricity during operation, with an intensity of 331.56 kWh per person, representing a slight decrease from last year. We will maintain and strive to reduce the Group's power consumption intensity. In the future, we will continue to monitor our energy use and take energy-saving measures to reduce our energy use.

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7.4 Paperless Management

The medical industry has a large number of documents that need to be printed, and we are promoting digitization to save resources. We have implemented electronic medical record information management, and medical records and test reports are in electronic format for easy access and management. We use 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.

If patients have special needs to print paper documents, we will make arrangements while ensuring data security. We recycle and reuse excess printing paper and other consumables to eliminate waste and exchange electronic information with each clinic site through the cloud to speed up processing efficiency.

In the future, the Group will continue to explore more optimization initiatives to establish a zero-waste resource management model. This is also a specific action of our continuous efforts toward the goal of "Green Healthcare".

Measures to reduce paper consumption	
Cloud Communication	• 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	• Employees can submit approval applications 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	• 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	• Integrate and refer to the hospital's various operational indicators, 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	• 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 57,008.45 kg of papers, with an intensity of 1.11 kg per person. During the Year, the total volume and density of paper used decreased compared to last year. In the future, we will continue to monitor paper consumption and adopt conservation measures to reduce paper use.

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7.5 Waste Management

Waste management is essential for environmental protection. We have taken a series of measures to improve efficiency. 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, such as the procedures for 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 implement the green healthcare concept.

Hazardous Waste Management

We attach great importance to the disposal of medical waste. We have engaged a qualified third party to assist all of our medical institutions in the classification, collection, storage, transfer, and transportation of medical wastes in accordance with applicable laws and regulations such as the Medical Waste Management Regulations (《醫療廢物管理條例》), Medical Waste Management Measures for 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 classify and collect medical waste and use specialized equipment for professional disposal. Mixed storage or random disposal is prohibited. In addition, we have established radioactive liquid waste treatment facilities aera ged w ilag the lig ta wea dus mdp t (vironmeal Pa Dis te by Sa lidi al Wa es(fiedre andosapenkagccorrage)T10.001 Tw 0 -1.55

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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 5,022,600.00 kg, with an intensity of 97.97 kg per person; and a total output of hazardous waste, including medical waste, computers, used ink cartridges and used batteries, of 56,553.00 kg, with a density of 1.10 kg per person. During the Year, the intensity of non-hazardous and hazardous waste output decreased compared to last year, and our waste management has achieved preliminary results. In the future, we will continue to monitor the output and intensity of waste and adopt waste reduction measures to reduce waste generation.

7.6 Climate Change Challenges

Climate change has become a major challenge affecting global development. As a medical organization, we are well aware of its potential impact on individuals, teams, and society. We have actively assessed the various risks that climate change may bring, and have developed appropriate preventive measures to ensure that we continue to provide quality medical services. Atda2ide

7 Green Healthcare

Reputational Risks

As stakeholders demand that the Group raise the bar on climate action, failure to respond effectively to such demands will affect our corporate reputation, and we may lose our competitive advantage to competitors with better sustainable performance. In view of this, we will pay close attention to the update of environment-related policies, actively respond to the national call for “Dual Carbon”, actively communicate with stakeholders, and publicly disclose the Group'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 climate change-related risks. We will continue to proactively face the challenges posed by climate change and formulate corresponding measures to enhance our response capability and mitigate the related impacts. We hope to mitigate the climate warming trend through practical actions. We are incorporating this concept into our decision-making and daily operations, and working with all stakeholders to address environmental issues of common concern.

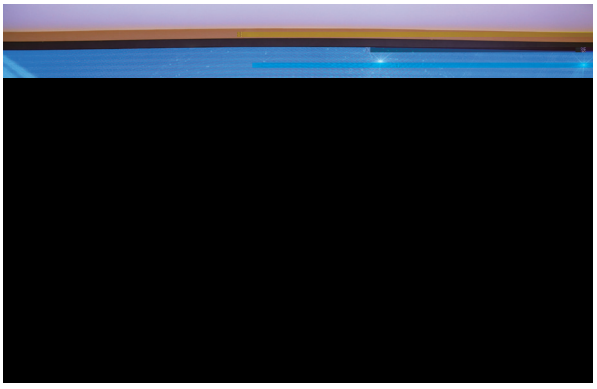
8 Community Contribution and Service

We always uphold the business philosophy of "giving back to the community". The Group is not only committed to the development of the medical business but also actively participates in and supports public welfare undertakings through various channels to serve the health of the community. We are actively engaged in community investment. During the Reporting Period, we invested more than RMB10 million to support various community welfare projects, such as charity medical care and assistance to orphans and the needy to help disadvantaged groups through professional medical care. 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 community.

8.1 Collaboration and Assistance

"Wenzhou Kangning – Nanchong Mental Health" East-West Collaboration and Assistance Project

Wenzhou Kangning and Nanchong Mental Health Center of Sichuan Province reached a cooperation agreement with the aim of providing collaboration and support to Nanchong Mental Health Center. According to the agreement, Wenzhou Kangning will assist Nanchong Mental Health in the clinical teaching and training of mental health talents, the establishment of information systems, and the construction of the disciplines of pediatric, adolescent, and geriatric medicine. Wenzhou Kangning will leverage its information technology advantages to support Nanchong in building a smart network for student mental health services. As part of the collaboration, Wenzhou Kangning donated an intelligent student mental health service platform "Xinqing Station" worth RMB2 million to Nanchong City to help improve the level of smart social psychological services in Nanchong City. This powerful combination between psychiatric hospitals in the East and West is an opportunity to better promote psychiatric exchanges and cooperation between the two places, strengthen the construction of disciplines and informatization, and jointly promote the development of mental health undertakings.



8 Community Contribution and Service

8.2 Psychological Assistance

Aba County has been supported by Wenzhou through a paired-assistance program. We actively responded to the call for assistance provision of the Party committees and governments of Wenzhou and Aba, and conducted assistance activities for Aba County to the best of our ability based on our own professional advantages. In particular, our intelligent student psychological service platform, “Xinqing Station”, is specially built for students, combining online public welfare counseling, psychological science popularization, psychological testing, psychological stress reduction,

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., the sustainability data statement in the subject area of environment of which is set out as follows:

	Unit	2023
Emissions[4]		
Nitrogen oxides (NOx)	kg	516.66
Sulphur oxides (SOx)	kg	2.53
Particulate Matters (PM)	kg	46.05
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	Tonnes of CO_2e	1,904.31
Indirect greenhouse gas emissions (Scope 2)	Tonnes of CO_2e	9,693.65
Total greenhouse gas emissions (Scope 1 & 2)	Tonnes of CO_2e	11,597.96
Greenhouse gas emissions per person[5]	Tonnes of CO_2e/person	0.23
Energy consumption		
Natural gas consumption	m^3	136,833.00
Liquefied natural gas consumption	kg	3,105.80
Liquefied petroleum gas consumption	Tonnes	6.00
Gasoline consumption	Litre	153,986.66
Diesel consumption	Litre	24,946.12
Vegetable oil fuel consumption	kg	20,568.00
Self-generated electricity	kWh	10,000.00
Consumption of purchased electricity	MWh	16,997.45
Consumption of purchased electricity per person[5]	kWh/person	331.56
Water consumption		
Water consumption	m^3	623,374.00
Water consumption per person[5]	m^3/person	12.16
Paper consumption		
Paper consumption	kg	57,008.45
Paper consumption per person[5]	kg/person	1.11

Appendix I: Sustainability Data Statement

	Unit	2023
Total employee turnover rate[6]	%	19.14
Employee turnover rate by gender		
Female employees	%	17.82
Male employees	%	21.67
Employee turnover rate by age group		
Employees aged under 30	%	19.03
Employees aged between 30 and 50	%	13.37
Employees aged above 50	%	27.36
Employee turnover rate by geographical region		
Employees from North China	%	18.14
Employees from Northeast China	%	42.94
Employees from East China	%	18.07
Employees from Central China	%	17.65
Employees from Northwest China	%	0.00
Employees from South China	%	27.98

6 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

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			Relevant sections
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7 Green Healthcare - 7.3 Water Resource Management; Appendix I: Sustainability Data Statement
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7 Green Healthcare - 7.2 Energy Use 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 Green Healthcare - 7.3 Water Resource Management;
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable. Due to the nature of the Group's business, the Group does not produce any finished products nor does it have any industrial facilities. Therefore, no large amount of packaging material is used in the daily operation process.
A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	7 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 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 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 Green Healthcare - 7.6 Climate Change Challenges
B. Social			
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- 6.1 Employment Management; 6.2 Welfare and Caring 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

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			Relevant sections
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- 6.3 Health and Safety Guarantee
	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- 6.3 Health and Safety Guarantee
	B2.2	Lost days due to work injury.	6 Medical Team Building- 6.3 Health and Safety Guarantee
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6 Medical Team Building- 6.3 Health and Safety Guarantee
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- 6.4 Development and Cultivation of Medical Personnel
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6 Medical Team Building- 6.4 Development and Cultivation of Medical Personnel
	B3.2	The average training hours completed per employee by gender and employee category.	6 Medical Team Building- 6.4 Development and Cultivation of Medical Personnel
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- 6.1 Employment Management
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	6 Medical Team Building- 6.1 Employment Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	6 Medical Team Building- 6.1 Employment Management

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Environment			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 Hospital Compliant Operation- 5.5 Anti-Corruption and Business 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 Hospital Compliant Operation- 5.5 Anti-Corruption and Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5 Hospital Compliant Operation- 5.5 Anti-Corruption and Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff.	5 Hospital Compliant Operation- 5.5 Anti-Corruption and Business 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 Service
	B8.1	Focus areas of contribution.	8 Community Contribution and Service
	B8.2	Resources contributed to the focus area.	8 Community Contribution and Service

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