

If you are in any doubt about this circular or the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Wenzhou Kangning Hospital Co., Ltd.**, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

溫州康寧醫院股份有限公司
Wen

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Notice of the Annual General Meeting for the Year 2021	11

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings.

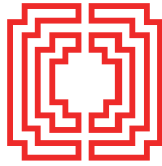
“AGM” or “Annual General Meeting”	the annual general meeting of the Company for the year 2021 to be convened and held on December 16, 2022
“AGM Notice”	the notice for convening the AGM as set out on pages 11 to 13 of this circular
“Articles”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Audit Committee”	the Audit Committee of the board of directors
“Board”	the board of directors of the Company
“Company”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
“connected transaction(s)”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) of the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and currently not listed or traded on any stock exchange
“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s)
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	the holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	November 14, 2022, being the latest practicable date for ascertaining certain information contained herein before the printing of this circular
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Supervisory Committee”	the Company’s supervisory committee
“%”	percentage ratio

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain table(s) may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD



溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.
(A joint stock limited liability company incorporated in the People's Republic of China)
Stock code: 2120

Executive Directors:

GUAN Weili (管偉立) (*Chairman*)

WANG Lianyue (王蓮月)

Non-executive Directors:

QIN Hao (秦浩)

LI Changhao (李昌浩)

Independent non-executive Directors:

ZHAO Xudong (趙旭東)

ZHONG Wentang (鐘文堂)

LIU Ning (劉寧)

To the Shareholders

Dear Sir or Madam,

**FINANCIAL REPORT FOR THE YEAR 2021
AUDITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 2021
PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2021
PROPOSED FINANCIAL BUDGET FOR THE YEAR 2022
PROPOSED APPOINTMENT OF THE INDEPENDENT AUDITOR OF THE
COMPANY FOR THE YEAR 2022
REPORT OF THE BOARD FOR THE YEAR 2021
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2021
REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON
THEIR PERFORMANCE FOR THE YEAR 2021
AND
NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2021**

I. INTRODUCTION

The purpose of this circular is to provide you with further information in relation to the following resolutions to be proposed at the AGM:

LETTER FROM THE BOARD

1. To consider and approve the financial report of the Company for the year 2021;
2. To consider and approve the audited report and financial statements of the Company for the year 2021;
3. To consider and approve the proposed profit distribution plan of the Company for the year 2021;
4. To consider and approve the proposed financial budget of the Company for the year 2022;
5. To consider and approve the appointment of the independent auditor of the Company for the year 2022;
6. To consider and approve the report of the Board of the Company for the year 2021;
7. To consider and approve the report of the Supervisory Committee of the Company for the year 2021; and
8. To consider and approve the report of the independent non-executive Directors of the Company on their performance for the year 2021.

Items 1 to 8 above shall be submitted to the AGM and approved as ordinary resolutions.

II. FINANCIAL REPORT FOR THE YEAR 2021

An ordinary resolution will be proposed at the AGM to consider and approve the Company's financial report for the year 2021. In 2021, the administrative expenses of the Company amounted to RMB176.4 million, representing an increase of RMB11.8 million as compared with the budget; the selling and marketing expenses amounted to RMB10.3 million, representing a decrease of RMB0.2 million as compared with the budget; and the capital expenditure amounted to RMB3.660 million, representing a decrease of RMB143,000 as compared with the budget.

III. AUDITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 2021

An ordinary resolution will be proposed at the AGM to consider and approve the Company's audited report and financial statements for the year 2021. For the full text of the Company's audited report and financial statements for the year 2021, please refer to the Company's annual report for the year 2021 published on November 15, 2022.

IV. PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2021

The Company has formulated the Company's profit distribution plan for the year 2021 in accordance with the prevailing operating conditions, market environment and future sustainable development objective, taking into account the interests of the Shareholders, and in accordance with the Articles and relevant laws and regulations as follows:

1. Profit Distribution Plan for the Year 2021

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP, the Company's parent company achieved a net profit of RMB18,063,484 in 2021. According to the Articles, 10% of the net profit for the year, which is RMB1,806,348, is appropriated to the statutory surplus reserve, plus the undistributed profit of RMB193,286,603 at the beginning of the year, and the actual distributable profit for Shareholders of the year is RMB209,543,739.

In accordance with the relevant provisions of the Hong Kong Listing Rules, the Company Law of the People's Republic of China and the Articles, in light of the actual situation of the

LETTER FROM THE BOARD

In future, the Company will, as in the past, attach great importance to the return of investors in the form of cash dividends. In strict accordance with relevant laws, regulations and the Articles, considering various factors in relation to profit distribution, the Company will strictly implement the relevant profit distribution policies and share the results of its development, for the benefit of the development of the Company and with consideration of the return of investors.

An ordinary resolution will be proposed at the AGM to consider and approve the above profit distribution plan.

V. PROPOSED FINANCIAL BUDGET FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the Company's proposed financial budget for the year 2022. For the year 2022, the Company targets to limit the administrative expenses, the selling and marketing expenses and the capital expenditure to RMB199.1 million, RMB14.2 million and RMB361.1 million, respectively.

VI. PROPOSED APPOINTMENT OF THE INDEPENDENT AUDITOR OF THE COMPANY FOR THE YEAR 2022

Reference is made to the announcement of the Company dated January 30, 2022 (the "**Announcement**") in relation to, among other things, the change of auditor.

As stated in the Announcement, PricewaterhouseCoopers Zhong Tian LLP ("**PwC**") has resigned as the auditor of the Company on January 30, 2022. The reasons for PwC's resignation and the matters which it believes should be brought to the attention of the Shareholders of the Company are summarised as follows:

As the Company intends to conduct an initial public offering of ordinary A Shares in the PRC, PwC has reviewed the cash flows in the personal bank accounts of the Company, its de facto controller, key management personnel and key financial personnel in accordance with the requirements of the China Securities Regulatory Commission ("**CSRC**"). Such review was conducted in accordance with the specific requirements of the CSRC. The scope and requirements of the review were beyond the audit procedures and scope of the annual audit of listed companies. Therefore, PwC did not perform similar review procedures in the annual audit of H Shares in previous years. PwC noted the following significant cash flows issues during the above review: (1) Findings on Verification of Cash Flows in Personal Bank Accounts of Key Financial Personnel of the Company; (2) Findings on Verification of Cash Flows in Personal Bank Account of a Certain Employee of the Social Work Department of the Company; and (3) Findings on Verification of Cash Flows in Personal Bank Account of a Senior Management Officer of the Company. PwC has not obtained adequate and reasonable explanations and evidence regarding their concerns about the above issues, and further, PwC considered it is unable to determine the scope of subsequent audit work to be performed and

LETTER FROM THE BOARD

to reasonably estimate the time required to complete the audit work for 2021. Accordingly, for the benefit of all Shareholders, the Audit Committee proposed that PwC shall resign as the auditor of the Company and PwC agreed to resign as the auditor of the Company with effect from January 30, 2022.

As to the above outstanding issues, PwC suggested the Board shall establish an independent investigation committee and such independent investigation committee shall engage a qualified independent third party investigation institution to assist with the investigation of such issues (the “**Independent Investigation**”). On March 14, 2022, the independent investigation committee of the Company appointed an independent third-party accounting firm as the independent investigation firm (the “**Investigation Firm**”) to independently investigate the relevant issues in relation to cash flows. During the period from March 14, 2022 to September 23, 2022, the Investigation Firm completed the relevant works, and issued an independent investigation report on the abovementioned matters on October 14, 2022.

Save for the matters to be dealt with above, the Board and the Audit Committee confirm that there are no other matters relating to the resignation of PwC that need to be brought to the attention of the Shareholders of the Company.

Upon learning that PwC was considering resigning as the Company’s auditor, the Audit Committee immediately proceeded to select a subsequent auditor. With the recommendation of the Audit Committee, BDO China Shu Lun Pan Certified Public Accountants LLP (“**BDO**”) has been appointed as the auditor of the Company. The Company had fully informed BDO of the issues which PwC considered should be brought to the attention of the Shareholders of the Company and also requested BDO to pay attention to these issues in 2021 audit work. BDO agreed to accept the appointment by the Board after preliminary review with effect from January 30, 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the Annual General Meeting of the Company.

As approved by the Audit Committee of the Board, an ordinary resolution will be proposed at the AGM to consider and approve the appointment of BDO as the auditor for the 2022 annual auditing of H Shares of the Company and the 2022 legal auditing of the Company, to review the 2022 interim financial report of the Company prepared in accordance with PRC Accounting Standards, to audit the annual financial statements for 2022 to be prepared by the Company under PRC Accounting Standards for Business Enterprises, to conduct special review on the Company’s matters before 2022 and necessary communication with the Company’s former auditors in accordance with the relevant provisions of PRC Auditing Standards, and to perform other duties as required under the Hong Kong Listing Rules from the date of the AGM to the conclusion of the annual general meeting for the year 2022 of the Company in accordance with the Company Law of the People’s Republic of China, the Hong Kong Listing Rules and other relevant provisions of laws, regulations and the Articles. At the same time, it is proposed that at the AGM authorize the Board (or its authorized persons) to determine the remuneration of the auditors and sign relevant contracts based on the market situation.

LETTER FROM THE BOARD

VII. REPORT OF THE BOARD FOR THE YEAR 2021

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Board for the year 2021, the full text of which is set out in the Company's annual report for the year 2021 published on November 15, 2022.

VIII. REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2021

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Supervisory Committee for the year 2021, the full text of which is set out in the Company's annual report for the year 2021 published on November 15, 2022.

IX. REPORT OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON THEIR PERFORMANCE FOR THE YEAR 2021

In accordance with the relevant provisions of laws and regulations, such as the Company Law of the People's Republic of China, as well as other normative documents, the Articles, and the Working Policies of Independent Directors of the Wenzhou Kangning Hospital Co., Ltd. (《温州康宁医院有限公司独立董事工作制度》), the independent non-executive Directors of the Company shall submit an annual work report to the annual general meeting of the Company to explain the performance of their duties. An ordinary resolution will be proposed at the AGM to consider and approve the work report of the independent non-executive Directors for the year 2021, which mainly includes the following matters:

- (a) The situation of each of our independent non-executive Directors attending the meetings of the general meetings, the Board and the specialized committees under the Board in 2021;
- (b) How the Company cooperate with the independent non-executive Directors in carrying out their work; and
- (c) The work and opinions of the independent non-executive Directors in relation to connected transactions, use of proceeds from the IPO, choosing the accounting firm, profit distribution, compliance with the non-competition agreement by our controlling Shareholders, and the implementation of information disclosure, etc.

LETTER FROM THE BOARD

X. THE AGM AND PROXY ARRANGEMENT

The notice of the AGM is set out on pages 11 to 13 of this circular.

In accordance with Rule 13.39(4) of the Hong Kong Listing Rules and Article 101 of the Articles, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

A form of proxy for use at the AGM is sent to the Shareholders together with this circular. Such form of proxy is also published on the websites of the Hong Kong Stock Exchange HKEXnews (www.hkexnews.hk) and the Company (www.knhosp.cn). Whether or not you intend to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible, and return the same to the registered office of the Company (for Domestic Shareholders) or Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) but in any event not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 9:00 a.m. on Thursday, December 15, 2022) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM if you so desire.

As of the Latest Practicable Date, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, no Shareholder shall be required to abstain from voting on any resolution to be proposed at the AGM, nor are there any Shareholders that shall be required to abstain from voting for any resolution at the AGM.

XI. RECOMMENDATION

The Directors (including all independent non-executive Directors) consider that all resolutions set out in the AGM Notice for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of such resolutions to be proposed at the AGM as set out in the AGM Notice.

LETTER FROM THE BOARD

XII. CONTINUED SUSPENSION OF TRADING

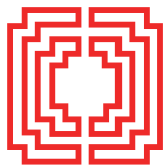
At the request of the Company, trading in the shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on April 1, 2022. Trading in the shares of the Company will remain suspended until further notice.

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

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

Zhejiang, the PRC
November 18, 2022

NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2021



溫州康寧醫院股份有限公司

Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2021 AND THE CLOSURE OF THE REGISTER OF MEMBERS

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) for the year 2021 of Wenzhou Kangning Hospital Co., Ltd. (the “Company”) will be held at Conference Room, 12/F, Building 1, Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang Province, the People’s Republic of China (the “PRC”) at 9:00 a.m. on Friday, December 16, 2022 for the purposes of considering and, if thought fit, passing the following resolutions. In this notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated November 18, 2022 (the “Circular”).

RESOLUTIONS TO BE CONSIDERED AND APPROVED AT THE AGM

By way of ordinary resolutions:

- (1) To consider and approve the financial report of the Company for the year 2021;
- (2) To consider and approve the audited report and financial statements of the Company for the year 2021;
- (3) To consider and approve the proposed profit distribution plan of the Company for the year 2021;
- (4) To consider and approve the proposed financial budget of the Company for the year 2022;
- (5) To consider and approve the appointment of the independent auditor of the Company for the year 2022;
- (6) To consider and approve the report of the Board of the Company for the year 2021;
- (7) To consider and approve the report of the Supervisory Committee of the Company for the year 2021; and
- (8) To consider and approve the report of the independent non-executive Directors of the Company on their performance for the year 2021.

NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2021

Details of the above resolutions proposed at the AGM are contained in the Circular, which is available on the HKEXnews' website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.knhosp.cn).

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

Zhejiang, the PRC
November 18, 2022

As of the date of this notice, the executive directors of the Company are Mr. GUAN Weili and Ms. WANG Lianyue; the non-executive directors of the Company are Mr. LI Changhao and Mr. QIN Hao; and the independent non-executive directors of the Company are Mr. ZHAO Xudong, Ms. ZHONG Wentang and Mr. LIU Ning.

Notes:

ATTENDEES OF THE AGM

1. Eligibility and Registration Procedures for Attending the AGM

- (a) Closure of Register of Members. For the purpose of ascertaining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company is closed from Tuesday, December 13, 2022 to Friday, December 16, 2022 (both days inclusive).
- (b) Domestic Shareholders and H Shareholders whose names appear on the register of members of the Company after the close of business on Monday, December 12, 2022 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM.
- (c) H Shareholders who wish to attend the AGM shall lodge their share certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, December 12, 2022 for registration.
- (d) A Shareholder or his/her/its proxy shall produce proof of identity when attending the meeting. If a Shareholder is a legal person, its legal representative or other persons authorized by the board of directors or other governing bodies of such Shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other governing bodies of such Shareholder appointing such persons to attend the meeting.

NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2021

2. Proxy

- (a) A Shareholder eligible to attend and vote at the AGM is entitled to appoint, in written form, one or more proxies to attend and vote on his/her/its behalf. A proxy does not need to be a Shareholder of the Company.
- (b) A proxy should be appointed by a written instrument signed by the appointer or his/her/its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the appointer, the power of attorney authorizing that attorney to sign or other authorization document(s) must be notarized.
- (c) To be valid, the power of attorney or other authorization document(s) which have been notarized together with the completed form of proxy must be delivered to the place of business of the Company for Domestic Shareholders and Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders not less than 24 hours before the time designated for holding of the AGM (i.e. before 9:00 a.m. on Thursday, December 15, 2022) or any adjournment thereof.
- (d) A Shareholder or his/her/its proxy may exercise the right to vote by poll.

3. Continued Suspension of Trading

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

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

4. Miscellaneous

- (a) The AGM will not last for more than one working day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.
- (b) The address of the Company's share registrar of H Shares, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The contact details of the place of business of the Company are as follows:

No. 1 Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang Province, the PRC
Postal Code: 325000
Telephone No.: (86) 577 8877 1689
Facsimile No.: (86) 577 8878 9117
- (d) The contact person for the AGM is Mr. WANG Jian and his telephone number is (86) 577 8877 1689.