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Company

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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.

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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

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 Verification of Cash 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

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

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, the Articles of Association, the Regulations for the Implementation of the Articles of Association, and the relevant provisions of the Shanghai Stock Exchange Listing Rules, the Independent Non-Executive Directors have reviewed the Company's business performance for the year 2021 and the Company's financial position, and have concluded that the Company's business performance for the year 2021 is satisfactory, and the Company's financial position is sound.

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.

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
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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:

2. Proxy