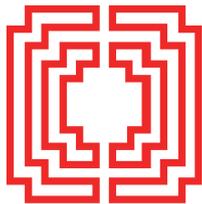


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溫州康寧醫院股份有限公司  
Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

**ANNOUNCEMENT  
PROPOSED AMENDMENTS TO THE EQUITY INCENTIVE SCHEME  
AND  
GRANTING THE INCENTIVE SHARES TO CONNECTED PERSONS**

Reference is made to the Company's announcement dated May 29, 2018 and the circular dated May 30, 2018 (the "**Circular**") in relation to the adoption of the Equity Incentive Scheme by the Company and authorization to the Board to deal with, in its absolute discretion, matters relating to the Equity Incentive Scheme of the Company. Unless otherwise defined in this announcement, capitalized terms used in this announcement shall have the same meaning as those defined in the Circular.

The Board hereby announces that on April 16, 2021, the Board considered and approved (among others) (a) proposed amendments to the Equity Incentive Scheme; and (b) the proposal to grant the Incentive Shares to connected persons.

**PROPOSED AMENDMENTS TO THE EQUITY INCENTIVE SCHEME**

In order to further implement the Equity Incentive Scheme and fulfill the incentive purposes thereof, without prejudice to the interests of the Company and the Shareholders as a whole, the Board, in consideration of the actual operating situation of the Company and market practice, intends to amend the functional basis and scope for determining the Participants (the "**Proposed Amendments**"). Following the amendments to the Equity Incentive Scheme (the "**Amended Equity Incentive Scheme**"), the scope of the Participants shall be extended to include all of the Directors, Supervisors and the general manager of the Company. The details of the Proposed Amendments are as follows:

| Original   | Amended  |
|--|--|
| <p><b>1. Description of the Incentive Scheme</b></p> <p><b>(3) Basis for determining the Participants and the scope of the Participants</b></p> <p><b>(a) Basis for determining the Participants</b></p> <p><b>(ii) Functional basis for determining the Participants</b></p> <p>The Participants of the Incentive Scheme shall include senior management of the Group, core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized.</p>  | <p><b>1. Description of the Incentive Scheme</b></p> <p><b>(3) Basis for determining the Participants and the scope of the Participants</b></p> <p><b>(a) Basis for determining the Participants</b></p> <p><b>(ii) Functional basis for determining the Participants</b></p> <p>The Participants of the Incentive Scheme shall include the <b>Directors, Supervisors,</b> senior management of the Group <b>(including the general manager),</b> core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized.</p>  |
| <p><b>(b) Scope of the Participants</b></p> <p>The Participants of the Incentive Scheme under the first grant comprise a total of 179 persons, including:</p> <p>(i) Senior management of the Group;</p> <p>(ii) Core technical (business) personnel of the Group; and</p> <p>(iii) Other persons who, in the opinion of the Board, shall be incentivized.</p> <p>The abovementioned Participants of the Incentive Scheme shall exclude all of the Directors, all of the Supervisors and the general manager of the Company. All Participants shall be employed in the Group and have signed labor contracts or employment contracts with the Group during the appraisal period of the Incentive Scheme.</p> <p>Participants under the reserved grant shall be determined with reference to the criteria under the first grant, and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Incentive Scheme at a general meeting.</p> | <p><b>(b) Scope of the Participants</b></p> <p>The Participants of the Incentive Scheme under the first grant comprise a total of 179 persons, including:</p> <p>(i) Senior management of the Group;</p> <p>(ii) Core technical (business) personnel of the Group; and</p> <p>(iii) Other persons who, in the opinion of the Board, shall be incentivized.</p> <p>The abovementioned Participants of the Incentive Scheme shall exclude all of the Directors, all of the Supervisors and the general manager of the Company. All Participants shall be employed in the Group and have signed labor contracts or employment contracts with the Group during the appraisal period of the Incentive Scheme.</p> <p>Participants under the reserved grant shall <del>be determined with reference to the criteria under the first grant</del> <b><u>include the Directors, Supervisors, senior management of the Group (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized,</u></b> and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Incentive Scheme at a general meeting.</p> |

For the details of the Equity Incentive Scheme, please refer to the Circular. Except for the above amendments, the other contents of the Equity Incentive Scheme remain unchanged. The Board believes that the Proposed Amendments shall not have a material impact on the financial conditions and operating results of the Company.

The Company will propose a special resolution at the annual general meeting for the year 2020 of the Company (the “**Annual General Meeting**”) to approve (among others) the Proposed Amendments.

## **GRANTING THE INCENTIVE SHARES TO CONNECTED PERSONS**

Pursuant to the Amended Equity Incentive Scheme and combining with the relevant content of the Proposed Amendments, the Board intends to grant reserved Incentive Shares to connected persons who meet the granting conditions (the “**Proposed Grantees**”) (the “**Proposed Grant**”), the details of which are as follows:

1. Grant Price: RMB10.47 per share
2. The number of grantees: 10 persons
3. The number of Incentive Shares to be granted: 455,588 Shares
4. The source of Incentive Shares: Non-tradable and Non-listed Domestic Shares issued to the Employees’ Shareholding Platform by the Company (the Proposed Grant of Incentive Shares will not lead to issuance of new Shares by the Company)

5. The list of Participants:

| Name              | Title  | The amount of Incentive Shares to be granted (RMB) | The number of Incentive Shares to be granted (Shares) | As a percentage of the Incentive Shares proposed to grant | As a percentage of the total Incentive Shares under the Equity Incentive Scheme |
|-------------------|--|--|---|---|---|
| Ms. WANG Lianyue  | Director and General Manager                   | 2,600,000  | 248,328   | 54.51%  | 10.09%  |
| Ms. WANG Hongyue  | Director and Chief Financial Officer           | 1,000,000  | 95,511  | 20.96%  | 3.88%   |
| Mr. SUN Fangjun   | Chairman of the Supervisory Committee          | 150,000  | 14,327  | 3.14%   | 0.58%   |
| Mr. XU Yi         | Vice General Manager                           | 300,000  | 28,653  | 6.29%   | 1.16%   |
| Mr. XIE Tiefan    | Staff Representative Supervisor                | 50,000   | 4,776   | 1.05%   | 0.19%   |
| Ms. WANG Biyu     | Manager of Auditing and Supervision Department | 50,000   | 4,776   | 1.05%   | 0.19%   |
| Ms. XU Qunyan     | Manager of Finance Department                  | 50,000   | 4,776   | 1.05%   | 0.19%   |
| Mr. GUAN Weilu    | Assistant to President                         | 200,000  | 19,102  | 4.19%   | 0.78%   |
| Mr. SUN Hongbo    | Attending Doctor                               | 320,000  | 30,563  | 6.71%   | 1.24%   |
| Ms. ZHANG Linghui | Director of Social Work Department             | 50,000   | 4,776   | 1.05%   | 0.19%   |
| Total             |  | <u>4,770,000</u>                                   | <u>455,588</u>  | <u>100%</u>   | <u>18.52%</u>   |

*Note:* The number of Incentive Shares to be granted to the Proposed Grantees is determined based on “the amount of Incentive Shares to be granted” set out in the above table. If there is any difference between the total number and the sum of the figures preceding them in the above table, it is caused by rounding adjustments.

The funds used by the Proposed Grantees for subscribing for restricted Shares, exercising the Share options and paying individual income tax shall be derived from their own funds. In respect of subscribing for Incentive Shares, the Company undertakes not to provide loans to the Proposed Grantees, nor any other financial aids, such as providing guarantee for their loans.

Upon completion of the Proposed Grant, the public float of the Company will still comply with the requirements under the Listing Rules.

## REASONS FOR AND BENEFITS OF THE PROPOSED GRANT

The Board believes that the Proposed Grant will help further establish and optimize the Company’s long-term incentive mechanism, attract and retain talent, fully mobilize the enthusiasm of the Company’s Directors, Supervisors, senior management, middle management, and core technical (business) personnel and other persons who, in the opinion of the Board, shall be incentivized, effectively combine the interests of Shareholders, the interests of the Company and the personal interests of the core team, so as to ensure all parties will pay attention to the long-term development of the Company and enhance its operating efficiency.

The Board believes that the terms and conditions of the Proposed Grant are fair and reasonable, on normal commercial terms, and in the interests of the Company and Shareholders as a whole, and the Proposed Grant shall not have a material impact on the financial conditions and operating results of the Company.

## IMPLICATIONS OF THE LISTING RULES

As (1) Ms. WANG Lianyue is a Director and general manager of the Company; (2) Ms. WANG Hongyue is the younger sister of Ms. WANG Lianyue and a Director of the Company; (3) Mr. SUN Fangjun and Mr. XIE Tiefan are Supervisors of the Company; (4) Mr. XU Yi is the spouse of Ms. WANG Hongyue; (5) Ms. WANG Biyu is the niece of Ms. WANG Lianyue and Ms. WANG Hongyue; (6) Ms. XU Qunyan is the younger sister of Mr. XU Yi; (7) Mr. GUAN Weilu is the younger brother of Mr. GUAN Weili (the Chairman and an executive Director of the Company); (8) Mr. SUN Hongbo is the nephew of Ms. WANG Lianyue and Ms. WANG Hongyue; and (9) Ms. ZHANG Linghui is the sister-in-law of Mr. GUAN Weili, according to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), the Participants are connected persons of the Company. Therefore, the Proposed Grant constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Proposed Grant is subject to the approval of independent Shareholders of the Company. The Company will submit the relevant resolution and seek independent Shareholders’ approval for the Proposed Grant at the Annual General Meeting.

Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue have abstained from voting due to their material interests in the Proposed Grant in the relevant Board resolution. Save as disclosed above, none of the Directors own any material interests in the Proposed Grant and no Director is required to abstain from voting on the relevant Board resolution.

The Company will establish an independent board committee comprising all independent non-executive Directors to provide recommendations to independent Shareholders as to the Proposed Grant. The Company has appointed Gram Capital Limited as its independent financial advisor to provide recommendations to independent board committee and independent Shareholders as to the abovementioned matters.

A circular containing, among others, (i) details of the Proposed Amendments; (ii) details of the Proposed Grant; (iii) letter from the independent board committee; (iv) letter from the independent financial adviser; and (v) notice of the Annual General Meeting is expected to be dispatched to Shareholders on or before May 14, 2021. Since additional time is required to prepare the information to be included in the circular, the circular is expected to be despatched to Shareholders more than 15 business days after the date of this announcement.

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

Zhejiang, the PRC  
April 16, 2021

*As of the date of this announcement, the executive Directors of the Company are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the non-executive Directors of the Company are Mr. YANG Yang and Mr. LIN Lijun; and the independent non-executive Directors of the Company are Mr. ZHAO Xudong, Ms. ZHONG Wentang and Mr. LIU Ning.*