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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

QUARTERLY ANNOUNCEMENT ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING

This announcement is made by Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance.

References are made to the announcements of the Company dated January 30, 2022, March 15, 2022, March 31, 2022, April 1, 2022, June 15, 2022, June 30, 2022, September 30, 2022 and October 14, 2022 (the “**Announcements**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

BUSINESS OPERATION

The principal business of the Company is to provide a full range of specialized medical services to patients with psychiatric illness in the PRC. The Company also engages in professional medical and aged care for the elderly.

In the fourth quarter of 2022, the Company’s own hospital business has been developing steadily. As of the date of this announcement, the Company owns a total of 30 hospitals, and the number of operating beds has increased to 9,838 (December 31, 2021: 8,728). The business operations of the Company have been conducted as usual in all material aspects. For details, please refer to the announcement to-be-published subsequently regarding the Company’s key operating data and indicators for the year ending December 31, 2022 and the fourth quarter of 2022.

The Board will continue to evaluate and monitor the impact of suspension of trading on the operation and financial performance of the Company.

PROGRESS OF THE RESUMPTION PLAN OF THE COMPANY

Here are the pending issues and the latest quarterly progress of the Company in relation to the resumption of trading of the shares:

Key matters	Time frame
<ol style="list-style-type: none"> 1. To conduct an investigation, announce the findings, assess and announce the impact on the business operations and financial position of the Company (if any), and take remedial actions. 2. To conduct an internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations. 	<p>An independent third-party accounting firm has issued and provided an independent investigation report (“Independent Investigation Report”) on the three outstanding issues as mentioned by PwC in the Resignation Letter and other relevant issues to the independent investigation committee of the Company (“Independent Investigation Committee”) on October 14, 2022. The Independent Investigation Committee is of the view that the Independent Investigation has been thoroughly conducted by professionals and has been completed to the extent presently and reasonably possible. The Board has decided to rectify all issues arising from the Alleged Areas with reference to the Independent Investigation Report. The Company has announced the key findings of the Independent Investigation on October 16, 2022. For details, please refer to the announcement of the Company dated October 14, 2022.</p> <p>The Company has engaged an independent third-party professional consultant to review the Company's internal controls and procedures and provide relevant improvement suggestions and follow-up actions. The internal control review is under progress, and the Company will issue an announcement to inform the Shareholders and potential investors of the Company of the progress and findings of the internal control review in due course.</p>
<ol style="list-style-type: none"> 1. To publish the annual results announcement for the year ended December 31, 2021; and 2. To publish the annual report for the year ended December 31, 2021. 	<p>The Company has published the annual results announcement for the year ended December 31, 2021 and the 2021 annual report on October 27, 2022 and November 15, 2022, respectively.</p> <p>BDO China Shu Lun Pan Certified Public Accountants LLP (“BDO”), the Company’s current auditor, has expressed qualified opinions in the annual results announcement for the year ended December 31, 2021. For further details, please refer to the announcement of the Company dated October 26, 2022. Appropriate actions, including positive cooperation with BDO in its collection of further information and its implementation of necessary auditing procedures, are being taken by the Company to address matters resulting in the aforementioned auditor’s qualified opinions as soon as possible.</p>

Key matters	Time frame
<ol style="list-style-type: none"> 1. To publish the interim results announcement for the six months ended June 30, 2022; and 2. To publish the interim report for the six months ended June 30, 2022. 	<p>The Company has substantially completed the 2022 interim financial report, which will be submitted to the Audit Committee for review. The Company will publish the interim results announcement for the six months ended June 30, 2022 and the interim report for the six months ended June 30, 2022 as soon as possible after the completion of the relevant review works.</p>
To resume trading in the shares of the Company	<p>The Company has negotiated, considered and implemented feasible solutions with its professional advisers regarding the plan for the resumption of trading, and is actively taking appropriate actions to satisfy the conditions set out in the Resumption Guidance.</p> <p>As of the date of this announcement, all work progresses are steadily progressing as anticipated.</p>

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the 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
December 30, 2022

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