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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

溫州康寧醫院股份有限公司公告

This announcement is made by Wenzhou Kangning Hospital Co., Ltd. (the “溫州康寧醫院股份有限公司”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “香港證券交易所”) and Part XIVA of the Securities and Futures Ordinance.

溫州康寧醫院股份有限公司董事會公告

The board of directors (the “董事會”) of the Company hereby announces that, PricewaterhouseCoopers Zhong Tian LLP (“普華永道中天”) has resigned as the auditor of the Company with effect from January 30, 2022.

As stated in the resignation letter dated January 30, 2022 of PwC (the “普華永道”), 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 (the “首次公開發行”), 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 (“中國證券監督管理委員會”). 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.

普華永道在審核過程中發現，溫州康寧醫院股份有限公司（以下簡稱“公司”）及其事實控制人、關鍵管理人員及關鍵財務人員的個人銀行賬戶現金流存在以下重大問題：

PwC noted that a former individual minority shareholder of a subsidiary of the Company and an individual contributor to an existing minority shareholder of certain subsidiaries of the Company and two renovation project suppliers of the Company (the “前子公司少數股東、子公司少數股東貢獻者及裝修項目供應商”) transferred funds to the personal bank accounts of certain financial personnel of the Company through a certain employee of Social Work Department and relevant financial personnel of the Company. Upon withdrawal of cash, these financial personnel deposited the funds into the bank accounts of the Company by way of deposits, and the accountants of the Company subsequently accounted for such deposited funds as the repayments of medical fees due from patients. In 2019 and 2020, the total amount of the above funds was approximately RMB14,430,000. The Company has provided PwC with explanations and certain information. But based on certain preliminary work that had been conducted, PwC was still unsure as to the commercial reasonableness of such cash flows and requested the Company to provide further explanation and materials.

PwC noted that a certain employee of the Social Work Department of the Company received a large amount of funds transferred from five renovation project suppliers in an aggregate amount of approximately RMB9,790,000 in 2020 and from January to June 2021. The employee had explained to PwC that the transfer of funds was entrusted by the project suppliers to procure certain materials required for renovation by the Company and provided certain information. As of the date of the announcement, PwC still requires such employee and the management of the Company to provide further materials to prove the commercial reasonableness of the cash flow and arrange relevant interviews.

PwC noted that a renovation project supplier, a former individual minority shareholder of a subsidiary of the Company and an individual contributor to an existing minority shareholder of certain subsidiaries of the Company had a substantial amount of fund transfers with a senior management officer of the Company, and the net inflow of such transfer amounted to approximately RMB9,500,000 for the period from January 1, 2018 to June 30, 2021. The senior management officer had explained that these fund transfers were loans for personal reasons. As of the date of the announcement, PwC still requires such senior management officer and the management of the Company to provide further materials to prove the commercial reasonableness of the cash flow and arrange relevant interviews.

As to the above outstanding issues, PwC suggested the Board shall establish an independent investigation committee and the such independent investigation committee shall engage a qualified independent third party investigation institution to assist with the investigation of such issues (the “*independent investigation institution*”). The Company has not communicated with PwC about issues regarding the engagement of third party investigation institution and its word scope. under the Independent Investigation. 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 to reasonably estimate the time required to complete the audit work for 2021. Accordingly, for the benefit of all shareholders, the audit committee of the Company 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.

Save for the matters to be dealt with above, the Board and the audit committee of the Company 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.

The Board would like to express its sincere gratitude to PwC for its professional services and support rendered during the past few years.

Upon learning that PwC was considering resigning as the Company's auditor, the audit committee of the Company immediately proceeded to select a subsequent auditor. The Board hereby announces that, with the recommendation of the audit committee of the Company, 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 next annual general meeting of the Company.

The Company had established an independent investigation committee following PwC's advice, and the independent investigation committee is currently carrying out the investigation and will publish announcement to disclose the investigation results in due course.

By order of the Board


Chairman

Zhejiang, the PRC
January 30, 2022

As of the date of this announcement, the Company's executive directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; 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.