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温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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 and June 15, 2022 (the "**Announcements**"). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

## THE RESUMPTION GUIDANCE

As disclosed in the announcement of the Company dated June 15, 2022, the Stock Exchange has issued to the Company the Resumption Guidance as below:

(1) To publish all outstanding financial results required under the Listing Rules and address any audit modification;

(2) To demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

(3) To conduct an appropriate independent investigation into the issues raised by PwC, announce the findings and take appropriate remedial actions;

(4) To demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any person with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(5) To conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and

(6) To announce all material information for the Company's shareholders and investors to appraise its position.

## BUSINESS OPERATION

The Company is principally engaged in the provision of a full range of specialized medical services for patients with psychiatric illness, and has expanded its business scope to cover professional healthcare services for the elderly.

Adhering to the core value of "Respecting Life and Serving Humbly", the Company has established a medical service network that is "based in Wenzhou, intensively cultivated in Zhejiang and radiated across the country" through chain operation, and a combination of online and offline channels, to provide better medical services for patients with mental disorders and the elderly.

At present, the global novel coronavirus pneumonia pandemic (the "**Pandemic**") remains severe. The Company has adopted multiple initiatives to control cost, enhance quality, strengthen management and deliver results while actively practising social responsibility in Pandemic prevention as a medical practitioner. Thanks to the concerted and dedicated efforts of all staff members, the Company's principal business continues to grow in a healthy and steady manner.

In the first half of 2022, the Company's owned hospital business maintained robust development with its medical network further expanded by increasing the number of owned hospitals to 30 (June 30, 2021: 25). In particular, the operating highlights include:

(1) the Company newly acquired Jinyun Shuning Hospital (縉雲舒寧醫院) and Yueqing Yining Chinese & Western Medicine Hospital (樂清怡寧中西醫結合醫院) (formerly known as "Yueqing Bang-er Chinese & Western Medicine Hospital" (樂清邦爾中西醫結合醫院)) in the first quarter of 2022;

(2) Wenzhou Ouhai Yining Elderly Hospital (溫州甌海怡寧老年醫院), which was built by the Company, commenced operation in May 2022;

(3) Quzhou Yining Hospital (衢州怡寧醫院) acquired a parcel of land with an area of 16,532 square meters for the purposes of the relocation and expansion project through public auction at a consideration of RMB16 million;

(4) Beijing Yining Hospital (北京怡寧醫院) achieved the turnaround from loss to profit by way of introducing a new management team; and

(5) the number of the Group's operating beds has increased to 9,558 as of the date of this announcement (June 30, 2021: 8,328).

China has experienced a continuously growing demand for mental healthcare services in recent years, and there has been a substantial increase in the social awareness of mental health since the outbreak of the Pandemic in particular. Meanwhile, with the acceleration of aging process of population, the demand of the general public for elderly care has become much stronger, which presents promising industry growth prospects for the principal business of the Company.

As of the date of this announcement, the Company maintains normal business operations in all material respects. The Board will continue to assess and monitor the impact of the suspension of trading on the operations and financial performance of the Company.

## PROGRESS OF THE RESUMPTION PLAN OF THE COMPANY

The Company wishes to give an update on the progress of the resumption plan of the Company as follows:

| Key matters | Timeframe |
|---|---|
| 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. | As disclosed in the announcements of the Company dated January 30, 2022 and March 15, 2022, the Company has established an independent investigation committee, and has appointed an independent third-party accounting firm as the independent investigation institution to investigate the three outstanding issues (the "**Outstanding Issues**") as mentioned by PwC in the Resignation Letter and other relevant issues (if necessary). Also, the independent investigation committee of the Company has appointed an independent third-party law firm to provide independent legal support to the independent investigation committee of the Company in respect of the necessary investigations. The independent investigation institution has been working closely with the Company's management, auditors, other professional advisers and other Relevant Persons, and has taken actions as and when, in its opinion, necessary and appropriate for the context of the Investigation.<br><br>With the approval of the Board, BDO China Shu Lun Pan Certified Public Accountants LLP has been appointed as the auditor (the "**Auditor**") for 2021.<br><br>As of the date of this announcement, the Investigation is still ongoing. The Board continues to further assess the expected timetable for these matters and will endeavor to procure them to be fulfilled as soon as practicable. |
| To publish the annual results announcement for the year ended December 31, 2021 | As disclosed in the announcement of the Company dated March 31, 2022, the Company has delayed the publication of its annual results for 2021 pending the announcement of the findings of the Independent Investigation.<br><br>The independent investigation committee and the audit committee of the Company have maintained continued communication with the Auditor in respect of the audit of the annual results for 2021. Based on the latest communication with the Auditor, the Auditor suggested to, among other things, carry out the remaining audit work on the Outstanding Issues based on the findings of the Independent Investigation.<br><br>With the assistance of the independent investigation committee of the Company and its professional advisers, the Company will endeavor to publish its annual results for the year ended December 31, 2021 as soon as practicable, and the expected timeframe for which is subject to further assessment by the Board. |