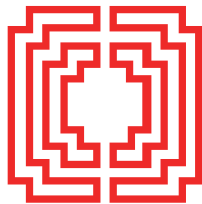


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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

ANNOUNCEMENT FURTHER AMENDMENTS TO THE EQUITY INCENTIVE SCHEME

Reference is hereby made to the announcement of the Company dated May 29, 2018, the circular dated May 30, 2018 (the “**Circular**”), the circular dated May 14, 2021 and the announcement dated June 18, 2021, which are in connection with the adoption of the Equity Incentive Scheme by the Company and the authorization to the Board to implement the Equity Incentive Scheme of the Company in its full discretion and the amendments to the Equity Incentive Scheme. Unless defined in this announcement otherwise, the words used in this announcement have the same meaning with those defined in the Circular.

The Board hereby announces that on June 24, 2021, the proposal on further Amendments to the Equity Incentive Scheme was considered and passed (among others) in the meeting of the Board and it was resolved to amend the Unlocking Conditions of the Equity Incentive Scheme and the treatment of the locked incentive equities, which shall take effect from the date of this announcement.

Overview of the Equity Incentive Scheme

The Equity Incentive Scheme was considered and passed at the 2017 annual general meeting (“**2017 Annual General Meeting**”) convened by the Company on June 13, 2018, and was approved to be revised at the 2020 annual general meeting on June 18, 2021, expanding the scope of Participants to include the Company’s all Directors, all Supervisors, and general manager. The main content and implementation of the Equity Incentive Scheme are shown as follows:

1. Form of equity proposed to be granted under the Equity Incentive Scheme: the Company will set up the Employees’ Shareholding Platform through the formation of a limited partnership, and the Employees’ Shareholding Platform will hold the Incentive Shares for and on behalf of the Participants.
2. Source and type of target Shares involved in the equity proposed to be granted under the Equity Incentive Scheme: the Incentive Shares under the Equity Incentive Scheme are sourced from the non-tradable and non-listed Domestic Shares granted by the Company through the Employees’ Shareholding Platform.

3. The scope of the Participants proposed under the Amended Equity Incentive Scheme includes the Directors, Supervisors, senior management of the Company (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized.
4. Participants and the number of shares granted: in respect of the Equity Incentive Scheme, the Participants of the first actual grant comprised a total of 165 persons, with 1,818,529 Incentive Shares granted. The Participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 Incentive Shares granted. The Participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 Incentive Shares granted. As of the date of this announcement, a total of 8 Participants exited, corresponding to a total of 79,274 Incentive Shares. As of the date of convening this Board meeting, the Participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, and all 2,460,000 Incentive Shares proposed to be granted have been granted.
5. Grant Price : RMB10.47/Share.
6. Date of the first grant: June 29, 2018.
7. Lock-up Period: the Lock-up Period of Incentive Shares granted to the Participants was 48 months, commencing from the date of the first grant.

Further Amendments to the Equity Incentive Scheme

According to the authorization for the Board to implement the Company's Equity Incentive Scheme and the requirements of the Equity Incentive Scheme in its full discretion as considered and passed at the 2017 Annual General Meeting, the Board has decided to amend the Unlocking Conditions of the Incentive Shares and the treatment of locked incentive shares under the Equity Incentive Scheme, and to cancel the performance assessment requirements and the Company's obligation to repurchase the locked Incentive Shares under the Equity Incentive Scheme (the "Amendments"). The details of Such Amendments are shown as follows:

Before Amendments	After Amendments
<p>1. Overview of Incentive Scheme</p> <p>(7) Granting Conditions and Unlocking Conditions of the Incentive Shares</p> <p>(b) Unlocking Conditions of the Incentive Shares</p> <p>Both performance evaluation targets at the Company's level and evaluation targets at the individual level shall be met for unlocking Incentive Shares, so that a Participant is enabled to unlock a specified ratio of Incentive Shares according to the evaluation result.</p> <p>(i) Performance evaluation targets at the Company's level</p> <p>The Equity Incentive Scheme will take the financial indicators of the Company for year 2021 as performance evaluation targets. Achieving the performance evaluation targets is one of the Unlocking Conditions for the Participants and thereby determines the corresponding unlocking ratio.</p> <p>.....</p>	<p>1. Overview of Incentive Scheme</p> <p>(7) Granting Conditions and Unlocking Conditions of the Incentive Shares</p> <p>(b) Unlocking Conditions of the Incentive Shares</p> <p>Both performance evaluation targets at the Company's level and evaluation targets at the individual level shall be met for unlocking Incentive Shares, so that a Participant is enabled to unlock a specified ratio of Incentive Shares according to the evaluation result.</p> <p>(i) Performance evaluation targets at the Company's level</p> <p>The Equity Incentive Scheme will take the financial indicators of the Company for year 2021 as performance evaluation targets. Achieving the performance evaluation targets is one of the Unlocking Conditions for the Participants and thereby determines the corresponding unlocking ratio.</p> <p>.....</p>

Before Amendments	After Amendments
<p>(ii) Evaluation targets of Participants at the individual level</p> <p>During the four years from 2018 to 2021, the Company performed annual individual performance evaluations for all Participants according to the five grades of excellent, A, B, C and D. If the annual individual performance evaluation result of a Participant is excellent/ A/B grade, the annual individual performance of such Participants is assessed to be “up to standard”; if the annual individual performance evaluation result of the Participant is C/D grade, the annual individual performance for such Participant is assessed to be “not up to standard”.</p> <p>.....</p>	<p>(ii) Evaluation targets of Participants at the individual level</p> <p>During the four years from 2018 to 2021, the Company performed annual individual performance evaluations for all Participants according to the five grades of excellent, A, B, C and D. If the annual individual performance evaluation result of a Participant is excellent/ A/B grade, the annual individual performance of such Participants is assessed to be “up to standard”; if the annual individual performance evaluation result of the Participant is C/D grade, the annual individual performance for such Participant is assessed to be “not up to standard”.</p> <p>.....</p>
<p>(c) Treatment of locked Incentive Shares</p> <p>Locked Incentive Shares Entitlement shall be repurchased by the general partner of the Partnership concerned. The repurchase price shall be the paid-up contribution amount of a Participant, and the cash dividends received by the Participants during the Locked-up Period shall be deducted from the repurchase price. The Incentive Shares which may not be unlocked held by the general partner shall be handled according to “Liquidation of the general partner’s equity interest” in Article 3, Chapter 9 of the Incentive Scheme.</p>	<p>(c) Treatment of locked Incentive Shares</p> <p>Locked Incentive Shares Entitlement shall be repurchased by the general partner of the Partnership concerned. The repurchase price shall be the paid-up contribution amount of a Participant, and the cash dividends received by the Participants during the Locked-up Period shall be deducted from the repurchase price. The Incentive Shares which may not be unlocked held by the general partner shall be handled according to “Liquidation of the general partner’s equity interest” in Article 3, Chapter 9 of the Incentive Scheme.</p>

Before Amendments	After Amendments
<p>(9) Exit mechanism upon expiration of the Unlocking Period of the Incentive Scheme</p> <p>(c) Liquidation of the general partner's equity interest in the Partnership</p> <p>Within 12 months after expiration of the Lock-up Period of the Incentive Scheme, the Company shall repurchase at the price of RMB10.47 per Share and cancel the Incentive Shares held for the following reasons by the Partnership:</p> <ol style="list-style-type: none"> 1. the reserved interests that have not granted to the Participants within 36 months; 2. the Incentive Shares Entitlement to be repurchased from the Participants that cannot be unlocked due to that the Company's performance level has not reached the performance evaluation target or has not met the qualifications for appointment or individual performance evaluation requirement as stipulated in the Incentive Scheme; and 3. the Incentive Shares Entitlement held in the event of a change as stipulated in the Incentive Scheme. <p>When the Company repurchases such Incentive Shares as required under the Scheme, it shall deduct the cash dividend received in respect of such Shares from the repurchase price.</p>	<p>(9) Exit mechanism upon expiration of the Unlocking Period of the Incentive Scheme</p> <p>(c) Liquidation of the general partner's equity interest in the Partnership</p> <p>Within 12 months after expiration of the Lock-up Period of the Incentive Scheme, the Company shall repurchase at the price of RMB10.47 per Share and cancel the Incentive Shares held for the following reasons by the Partnership:</p> <ol style="list-style-type: none"> 1. the reserved interests that have not granted to the Participants within 36 months; 2. the Incentive Shares Entitlement to be repurchased from the Participants that cannot be unlocked due to that the Company's performance level has not reached the performance evaluation target or has not met the qualifications for appointment or individual performance evaluation requirement as stipulated in the Incentive Scheme; and 3. the Incentive Shares Entitlement held in the event of a change as stipulated in the Incentive Scheme. <p>When the Company repurchases such Incentive Shares as required under the Scheme, it shall deduct the cash dividend received in respect of such Shares from the repurchase price.</p>

For the details of the Equity Incentive Scheme, please refer to the Circular and the circular dated May 14, 2021. Except for the above-mentioned Amendments, the other content of the Equity Incentive Scheme shall remain unchanged. The Board believe that the proposed Amendments will not have significant impact on the Company's financial conditions and operating results. Such Amendments shall be effective from the date of consideration and approval by the Board.

Reasons for and Benefits of the Amendments to the Equity Incentive Scheme

In order to better capture the development opportunities arising from the rapid growth of the Chinese economy, continue to enhance the Company's core competitiveness and influence and maximize the interests of the Shareholders, the Company is preparing for its A-share listing. According to the Equity Incentive Scheme, in the event the Participants may not unlock the Incentive Shares due to the failure to meet performance evaluation targets of the Company's performance results or the fact that the Participants do not meet the appointment requirements and individual performance evaluation targets, the Company will assume the repurchase obligations. Such obligations will result in non-compliance with the requirements regarding capital certainty when the Company apply for listing of its A Shares in the future.

According to the requirements in respect of "the authorization to the Board to deal with, in its absolute discretion, matters relating to the Equity Incentive Scheme of the Company" under the Equity Incentive Scheme, the Board may make amendment to the Equity Incentive Scheme pursuant to the relevant laws and regulations and the requirements of the relevant regulatory authorities on the condition that the Company applies for the initial public offering and the listing of A shares, including but not limited to making a proposal for advance unlocking, cancelling the performance evaluation conditions, extending the Locked-up Period and other arrangements. Therefore, the Company's Board has resolved to cancel the performance assessment requirements in the Equity Incentive Scheme by further amending the Equity Incentive Scheme, so as to cancel the Company's obligation to repurchase the locked Incentive Shares.

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

Zhejiang, the PRC
June 25, 2021

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