
THIS SUPPLEMENTARY CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplementary circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Wenzhou Kangning Hospital Co., Ltd.**, you should at once hand this supplementary circular, together with the accompanying revised form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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

PROPOSED GRANT OF A GENERAL MANDATE TO THE BOARD OF DIRECTORS TO ISSUE ADDITIONAL DOMESTIC SHARES

PROPOSED ADOPTION OF THE EQUITY INCENTIVE SCHEME FOR THE YEAR 2018

AUTHORISATION TO THE BOARD OF DIRECTORS TO DEAL WITH, IN ITS ABSOLUTE DISCRETION, MATTERS RELATING TO THE EQUITY INCENTIVE SCHEME OF THE COMPANY

AND

REVISED NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2017

This supplementary circular should be read in conjunction with the original circular of the Company to the Shareholders dated April 26, 2018.

The Company will convene the AGM on Wednesday, June 13, 2018 at 2:00 p.m., at Conference room, 12/F, Building 1, Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang Province, the PRC. The revised notice of the AGM is set out on pages 28 to 32 of this supplementary circular.

A revised form of proxy for use in the AGM is enclosed and it is also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.knhosp.cn).

Whether or not you are able to attend the AGM, please complete and return the enclosed revised form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time scheduled for holding the AGM (i.e. before 2:00 p.m. on Tuesday, June 12, 2018) (or any adjourned meeting thereof). Completion and delivery of the revised form of proxy shall not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish.

May 30, 2018

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Revised Notice of the Annual General Meeting	28

DEFINITIONS

In this supplementary circular, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company for the year 2017 to be convened and held on June 13, 2018
“Articles of Association”	the Articles of Association of Wenzhou Kangning Hospital Co., Ltd.
“Board”	the board of directors of the Company
“Company”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“de facto controllers”	Mr. Guan Weili and his spouse, Ms. Wang Lianyue
“Director(s)”	the director(s) of the Company
“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s)
“Domestic Shares” or “Non-tradable and Non-listed Domestic Shares”	ordinary shares issued to domestic investors by the Company with a nominal value of RMB1.0 each, which are subscribed for in Renminbi; as of the Latest Practicable Date, such Domestic Shares are not listed for trading on any stock exchange
“Employees’ Shareholding Platform”	employees’ shareholding platform, which holds the Incentive Shares for and on behalf of the Participants
“Grant Date”	the date on which the Board duly grants the Incentive Shares to the Participants through the Employees’ Shareholding Platform in accordance with the Incentive Scheme
“Grant Price”	the price per Incentive Share at which the Company grants to the Employees’ Shareholding Platform in accordance with the Incentive Scheme
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange

DEFINITIONS

“H Shareholder(s)”	the holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Scheme” or “Scheme” or “Equity Incentive Scheme”	the equity incentive scheme for the year 2018 of the Company
“Incentive Share(s)”	Non-tradable and Non-listed Domestic Shares granted under the Incentive Scheme for subscription by the Participants through the Employees’ Shareholding Platform. According to the provisions under the Incentive Scheme regarding Incentive Shares held by the Participants through the Employees’ Shareholding Platform, those Incentive Shares shall include the additional Shares in the event of conversion of capital reserve into share capital, bonus issues, share sub-division, etc. by the Company, whether or not the Incentive Shares are already unlocked
“Incentive Shares Entitlement”	the properties of the Partnership entitled by the Participants in proportion to the Incentive Shares granted to them
“Latest Practicable Date”	May 28, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this supplementary circular prior to its publication
“Locked-up Period”	a stipulated period commencing from the Grant Date, during which the Employees’ Shareholding Platform may not dispose of (including but not limited to transfer, sell, guarantee, pledge or charge) any portion or the whole of Incentive Shares granted under the Incentive Scheme, calculated from the Grant Date of the Incentive Shares
“Participant(s)”	senior management, core technical (business) personnel and other persons of the Group who, in the opinion of the Board, shall be awarded in accordance with the provisions of the Incentive Scheme and be granted with the Incentive Shares
“Partnership”	a limited partnership formed by the Company to establish the Employees’ Shareholding Platform
“PRC”	the People’s Republic of China which, for the purpose of this supplementary circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Remuneration Committee”	remuneration committee under the Board of the Company
“Revised AGM Notice”	the revised notice for convening the AGM set out on pages 28 to 32 of this supplementary circular
“RMB”	Renminbi, the units of lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)” or “share certificate(s)”	share(s) or share certificate(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the Company’s supervisory committee
“Total Share Reduction”	the total number of Shares of the Company that any Participant requires the general partner of the Partnership to dispose
“Unlocking Period”	the period during which the Participants may dispose of the whole or any portion of the Incentive Shares granted to him/her through the Employees’ Shareholding Platform upon the satisfaction of Unlocking Conditions as required under the Incentive Scheme
“Unlocking Conditions”	the conditions required to be satisfied for the unlocking of the Incentive Shares granted to Participants through the Employees’ Shareholding Platform under the Incentive Scheme
“%”	percentage ratio

Certain amounts included in this supplementary circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain table(s) may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD



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

Executive Directors:

GUAN Weili (管偉立) (*Chairman*)

WANG Lianyue (王蓮月)

WANG Hongyue (王紅月)

Non-executive Directors:

YANG Yang (楊揚)

LIN Lijun (林利軍)

Independent non-executive Directors:

CHONG Yat Keung (莊一強)

HUANG Zhi (黃智)

GOT Chong Key Clevin (葛創基)

To the Shareholders

Dear Sir or Madam,

**PROPOSED GRANT OF A GENERAL MANDATE TO THE BOARD OF
DIRECTORS TO ISSUE ADDITIONAL DOMESTIC SHARES**

**PROPOSED ADOPTION OF THE EQUITY INCENTIVE SCHEME
FOR THE YEAR 2018**

**AUTHORISATION TO THE BOARD OF DIRECTORS TO DEAL WITH, IN
ITS ABSOLUTE DISCRETION, MATTERS RELATING TO THE EQUITY
INCENTIVE SCHEME OF THE COMPANY**

AND

**REVISED NOTICE OF THE ANNUAL GENERAL MEETING FOR
THE YEAR 2017**

I. INTRODUCTION

Reference is made to the original circular of the Company to the Shareholders dated April 26, 2018, and the announcement of the Company in relation to the proposed adoption of the Equity Incentive Scheme for the year 2018 and the authorization to the Board to deal with, in its absolute discretion, matters relating to the Equity Incentive Scheme of the Company dated May 29, 2018.

LETTER FROM THE BOARD

The purpose of this supplementary circular is to provide you with the Revised AGM Notice and the information reasonably necessary to enable you to make the informed decision on whether to vote for or against the below certain supplemental resolutions to be put forward at the AGM.

The proposed grant of a general mandate to the Board to issue additional Domestic Shares, the proposed adoption of the Equity Incentive Scheme for the year 2018 and the authorization to the Board to deal with, in its absolute discretion, matters relating to the Equity Incentive Scheme will be considered by Shareholders by way of special resolutions at the AGM.

II. PROPOSED GRANT OF A GENERAL MANDATE TO THE BOARD TO ISSUE ADDITIONAL DOMESTIC SHARES

In order to meet the capital requirements of the Company for its continuous business development, to utilise financing platforms effectively and flexibly, it is proposed to be considered and approved by way of a special resolution at the AGM to grant the following powers to the Board (including but not limited to):

- (a) Granting of an unconditional general mandate to the Board (or director(s) authorized by the Board), subject to market condition and the needs of the Company, to issue, allot and deal with offers, agreements, or options in relation to such Domestic Shares during the Relevant Period (as defined below);
- (b) The aggregate number of new Domestic Shares to be allotted or agreed conditionally or unconditionally agreed to be allotted (whether pursuant to the exercise of options or otherwise) by the Board shall be 2,460,000 shares;
- (c) The Board be authorized to formulate and implement detailed issuance plan when exercising the above general mandate, including but not limited to the class of new Shares to be issued, pricing mechanism and/or issuance price (including price range), number of Shares to be issued, allottees and use of proceeds, time of issuance, period of issuance and whether to allot Shares to existing Shareholders;
- (d) The Board be authorized to engage the services of professional advisers for share issuance related matters, and to approve and execute all acts, deeds, documents or other matters which are necessary, appropriate, desirable or relevant to the issuance; to consider and approve and authorize any one of Directors to execute, for and on behalf of the Company, agreements relating to the issuance;
- (e) The Board be authorized to approve and execute, on behalf of the Company, statutory documents in relation to share issuance to be submitted to regulatory authorities;
- (f) The Board be authorized to amend, as required by regulatory authorities within or outside the PRC, agreements and statutory documents referred to in (d) and (e) above; and

LETTER FROM THE BOARD

- (g) The Board be authorized to increase the registered capital of the Company after a share issuance, and to make corresponding amendments to the Articles of Association relating to registered capital, total share capital and shareholdings, etc., and the operation management of the Company be authorized to carry out the relevant procedures.

The aforementioned mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options with respect to the issue of new Domestic Shares which might be required to be carried out or implemented after the end of the Relevant Period. The “**Relevant Period**” refers to the period commencing from the date on which the special resolution is passed at the AGM until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of a period of 12 months after this resolution has been passed by way of a special resolution at the AGM; or
- (iii) the revocation or variation of the authority under this resolution by passing of a special resolution of the Company in a general meeting.

The Board will only exercise the aforesaid general mandate in accordance with the Company Law and the Hong Kong Listing Rules and only if all necessary approvals from CSRC and/or other relevant governmental authorities of PRC are obtained.

III. PROPOSED ADOPTION OF THE EQUITY INCENTIVE SCHEME FOR THE YEAR 2018

1. Description of the Incentive Scheme

(1) *Purposes*

The Incentive Scheme has been formulated to further refine the corporate governance structure of the Company, establish and optimise the Company’s long-term incentive and restraint mechanism, attract and motivate professional management talents and core personnel, fully mobilize their enthusiasm and creativity, effectively enhance core team cohesion and core corporate competitiveness, better mobilize the enthusiasm of employees of the Group, and effectively integrate Shareholders’ interests, the Company’s interests and interests of the core team members so that the parties will make joint efforts for the Company’s long-term development and ensure the realization of the Company’s development strategy and operation objectives. The Incentive Scheme has been developed on the precondition of fully safeguarding Shareholders’ interests pursuant to the principle of benefits being in proportion to contributions and in accordance with provisions of the relevant laws, administrative regulations and regulatory documents including the Company Law and the Articles of Association.

(2) *Administrative body of the Incentive Scheme*

- (a) The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorise the Board to handle certain matters relating to the Incentive Scheme.

LETTER FROM THE BOARD

- (b) The Board shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The Remuneration Committee under the Board shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the Board for consideration and approval. Upon approval by the Board, the Incentive Scheme shall be further submitted to the general meeting for review and approval. The Board may handle such matters relating to the Incentive Scheme within its scope of authority as delegated by the general meeting.
- (c) The Supervisory Committee and independent non-executive Directors shall act as the supervisory authority for the Incentive Scheme, and shall conduct oversight as to whether the Incentive Scheme is beneficial to the sustainable development of the Company or is significantly detrimental to the interests of the Company and the Shareholders as a whole.

(3) ***Basis for determining the Participants and the scope of the Participants***

(a) *Basis for determining the Participants*

- (i) Legal basis for determining the Participants

The Participants of the Incentive Scheme are determined after taking into account of the circumstances of the Company and in accordance with the requirements of the relevant laws, administrative regulations and regulatory documents including the Company Law, as well as the Articles of Association.

- (ii) Functional basis for determining the Participants

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.

(b) *Scope of the Participants*

The Participants of the Incentive Scheme under the first grant comprise a total of 179 persons, including:

- (i) Senior management of the Group;
- (ii) Core technical (business) personnel of the Group; and
- (iii) Other persons who, in the opinion of the Board, shall be incentivized.

The abovementioned Participants of the Incentive Scheme shall exclude all of the Directors, all of the Supervisors and the general manager. 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.

LETTER FROM THE BOARD

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. The reserved grant is necessary and reasonable for the following reasons: (i) given that the Company shall obtain Shareholders' approval for the grant of any equity incentive scheme and need to fulfil the approval of and filing with relevant regulatory authorities (including application to the industrial and commercial authorities in the domicile of the Partnership for a change of partner, application to provincial commercial authorities for approval of an increase in the Company's registered capital, application to China Securities Depository and Clearing Corporation Limited for share registration and application to the industrial and commercial authorities in the domicile of the Company and CSRC for filing of increase in registered capital), it would be unduly burdensome for the Company to convene general meetings each time for granting the incentive scheme to each participant and accomplish the abovementioned filing procedures; (ii) the reserved grant can attract more new talents to the Company, which would be beneficial for the development of the Company and in the interests of the Company and its Shareholders as a whole; and (iii) the Participants of the Incentive Scheme under the first grant may also be granted additional equity along with their promotion to higher level positions in the Company, subject to subsequent appraisal.

The reserved entitlements shall become invalid where the Participants are not determined within 36 months. Within 12 months upon the expiry of Unlocking Period of the Incentive Scheme, the general partner of the Partnership shall dispose of such portion of equity according to the contents of "**Liquidation of the general partner's equity interest in the Partnership**" in (8)(c) of this Incentive Scheme.

(c) List of the Participants under the Incentive Scheme

The specific list and subscribed capital contribution of the Participants shall be selected and assessed by the Board.

(4) Description of equity to be granted under the Incentive Scheme

(a) Form of equity to be granted under the 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. Participants shall subscribe for and contribute capital at the Grant Price and become a limited partner of the Partnership. The general partner of the Partnership is a Participant of the Incentive Scheme and will be appointed by the Board when the Partnership is formed. The general partner concurrently serves as the executive partner of the Partnership. The general partner does not constitute a connected person to the Company under Hong Kong Listing Rules.

(b) Source and category of the Shares subject to the equity to be granted under the Incentive Scheme

The Incentive Shares under the Incentive Scheme comprise the Non-tradable and Non-listed Domestic Shares to be issued to the Employees' Shareholding Platform by the Company.

LETTER FROM THE BOARD

- (c) *Amount of equity to be granted under the Incentive Scheme and its percentage of the total share capital of the Company*

Participants are proposed to be granted 2,460,000 Shares under the Incentive Scheme, representing 3.37% of the Company's total share capital as at the Latest Practicable Date, and accounting for 4.66% of the total number of Non-tradable and Non-listed Domestic Shares. Specifically, 1,934,097 Shares will be granted initially, representing 2.65% of the Company's total share capital as at the Latest Practicable Date and accounting for 3.66% of the total number of Non-tradable and Non-listed Domestic Shares; and 525,903 Shares will be reserved, representing 0.72% of the Company's total share capital as at the Latest Practicable Date, and accounting for 1.00% of the total number of Non-tradable and Non-listed Domestic Shares and 21.38% of the total number of Shares to be granted under the Incentive Scheme.

- (5) *Validity period, Grant Date, Locked-up Period and Unlocking Period arrangement of the Incentive Scheme*

- (a) *Validity period of the Incentive Scheme*

The validity period of the Incentive Scheme shall be 10 years from the date of approval at the AGM, unless it is terminated in accordance with the relevant provisions of the Incentive Scheme.

- (b) *Grant Date of the Incentive Scheme*

After the Incentive Scheme has been considered and passed at the AGM, the Company will convene a Board meeting to grant equity to the Participants and complete the registration and other related procedures.

- (c) *Locked-up Period of the Incentive Scheme*

The Locked-up Period of the Incentive Shares granted to the Participants is 48 months, calculated from the date the Participants are granted the Incentive Shares.

The Incentive Shares shall be owned indirectly through the Employees' Shareholding Platform by the respective Participants once they are granted and fully paid up. The Incentive Shares granted to Participants shall not be transferred, pledged or otherwise disposed of during the Locked-up Period. Upon registration, the Incentive Shares granted to the Participants shall be entitled to all rights that they would have, including but not limited to the entitlement to dividends and voting rights, and such rights are not subject to the Locked-up Period. Upon the expiry of the Locked-up Period, unless otherwise agreed, the Participants may dispose of the unlocked Incentive Shares.

Participants vote through Employees' Shareholding Platform at the general meeting, or they shall abstain from voting through Employees' Shareholding Platform in accordance with the Articles of Association and Hong Kong Listing Rules at the general meeting when necessary. The voting rights attached to a Participants' Shares granted through the Partnership are exercised by the general partner of the Partnership as directed by the partner's meeting as described below.

LETTER FROM THE BOARD

In particular, if the Company holds a general meeting, the general partner of the Partnership will convene a partner's meeting prior to the general meeting and send a polling form and relevant corporate information (such as annual reports or shareholder circulars) to all Participants for their consideration and review of resolutions proposed at the meeting and giving voting instructions in those polling forms. Those polling forms are similar to proxy forms sent to Shareholders and provide the Participants with the options to vote in favor of, against or abstain from voting on each of the resolutions to be proposed at the general meeting, which shall be agreed by way of voting at the partner's meeting pursuant to the Partnership agreement. The general partner of the Partnership shall vote at the general meeting based on the results resolved at the partner's meeting. The general partner of the Partnership only vote based on the results resolved by the partner at the meeting. All voting results are reflection of the intention of the Partnership, and the Company and the general partner of the Partnership will not influence the voting decisions made by the Participants at the partner's meeting. The general partner of the Partnership will specify each of the numbers of shares voting in favor of, against and abstain from voting, in the voting paper of general meeting of the Company, respectively. The Board will ensure that the independence of the Participants will not be influenced by the voting procedures.

The general partner of the Partnership and the Participants will abstain from voting for equity shares held at the partner's meeting for the following reasons:

- (i) Shares of reserved interest not yet granted to any Participant, including reserved interest invalidated for not specifying the relevant Participants for more than 36 months;
- (ii) Share interest which have repurchased from Participants and may not unlock because of failure to meet performance evaluation targets of the Company's performance results or appointment requirements and individual performance evaluation targets in accordance with the provisions of the Incentive Scheme; and
- (iii) Share interest held due to exception changes as stipulated in the provisions of the Incentive Scheme.

These arrangements made by the Company are to serve the purpose of this Incentive Plan which is to effectively align the interests of the Shareholders, the Company and its core team. By enabling the core team to hold the Company's equity interest for a certain period of time, involve in the decision making of the Company, share the value growth of our equity as well as take certain risks at the same time, all parties share a great concern to the long-term development of the Company and therefore they will ensure the realization of the Company's development strategy and business objectives.

When a Participants is granted Incentive Shares, he/she is required to subscribe the corresponding property portion in the Partnership, that is, the Participant makes a payment for Share purchase and indirectly becomes a Shareholder holding the Company's equity which entitles him/her rights as a Shareholder. At the same time, in accordance with the provisions of the Incentive Scheme, this shareholding is locked and will be unlocked for transfer in realization of gains upon the satisfaction of the Company's performance evaluation targets and individual

LETTER FROM THE BOARD

appointment requirements and individual performance evaluation targets in the future. As a conclusion, these arrangements are conducive to retaining the Company's core team personnel, the improvement of the Company's operating results and enhancement of its core competitiveness, in line with the incentive purposes of the Company, and the interests of the Shareholders of the Company as a whole.

(d) Unlocking Period arrangement of the Incentive Scheme

Incentive Shares under the first grant shall be unlocked in one go after 48 months from the date of the first grant; Incentive Shares under the reserved grant shall be unlocked concurrently with those under the first grant unless the circumstances are exceptional where the amendment plan shall be made under the Incentive Scheme.

(6) Grant Price of the Incentive Shares and basis for determination

(a) Grant Price of the Incentive Shares

The Grant Price of the Incentive Shares under the first grant shall be RMB10.47 per Share; The Grant Price of the Incentive Shares under the reserved grant shall be RMB10.47 per Share.

(b) Basis for determination on the Grant Price of the Incentive Shares

Based on the fundamental purpose of promoting the development of the Company and safeguarding the interests of Shareholders, the Grant Price RMB10.47 of Incentive Shares under the Incentive Scheme has been determined in accordance with the principle of “**incentives with emphasis and effectiveness** (重點激勵、有效激勵)” and with comprehensive reference to the following factors:

- (i) the trading price of the Company's H Shares was approximately HK\$40.00 per Share (equivalent to approximately RMB32.50 per Share); and
- (ii) the number of Incentive Shares granted this time and the incentive effects.

(c) Grant Price of the Incentive Shares at a discount or premium

The Grant Price of the Incentive Shares under the Incentive Scheme represents approximately 32.22% of the trading price of the Company's H Shares, that is RMB10.47 per Share.

(7) Granting conditions and Unlocking Conditions of the Incentive Shares

(a) Granting conditions of the Incentive Shares

Incentive Shares may be granted to the Participants by the Company upon satisfaction of all of the following conditions. In other words, Incentive Shares cannot be granted to the Participants if any of the following granting conditions is not satisfied:

LETTER FROM THE BOARD

- (i) on grant of the Incentive Shares, labor contract or employment contract of the Participant is in the normal state of performance;
 - (ii) the Participant can meet the qualifications confirmed by the Board; and
 - (iii) the Participant has signed the equity incentive agreement.
- (b) *Unlocking Conditions of the Incentive Shares*

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.

- (i) Performance evaluation targets at the Company's level

This 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 determine the corresponding unlocking ratio. There are two performance evaluation targets at the Company's level: (1) based on the revenue from main businesses in the Company's audited consolidated financial statements for the year 2017 (RMB546.56 million), the growth rate of the revenue from main businesses in the audited consolidated financial statements for the year 2021 compared with that for the year 2017 shall not be less than 150%; (2) based on the net profit attributable to Shareholders of the parent company in the audited consolidated financial statements of the Company for the year 2017 (being approximately RMB58 million after excluding the impact of non-recurrent factors such as foreign exchange losses, government subsidies and listing fees), the growth rate of the net profit attributable to Shareholders of the parent company (excluding the effect of non-recurring factors) in the audited consolidated financial statements of the Company for the year 2021 compared with that for the year 2017 shall not be less than 120%.

After the announcement of the audited consolidated financial statements for the year 2021, based on the achievement of performance indicators and the position and amount of subscriptions of the Participants, the total amount of Incentive Shares that can be unlocked shall be determined according to the following ratios:

Achievement of performance indicators	Senior Management	Subscription of over RMB200,000 (inclusive)	Subscription of less than RMB200,000
Achieve both two performance evaluation targets	100%	100%	100%
Achieve only one performance evaluation target	50%	75%	85%
Fail to achieve both performance evaluation targets	20%	50%	70%

LETTER FROM THE BOARD

(ii) Evaluation targets of Participants at the individual level

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**”.

If the evaluation of a Participant are all “**up to standard**” during the four years evaluation period from 2018 to 2021, the Participant can unlock all the Incentive Shares held by them as per unlockable total amount specified in this Incentive Scheme. If a Participant experiences “**not up to standard**” during the four years evaluation period from 2018 to 2021, the Participant can unlock the Incentive Shares held by them based on the total amount of unlockable amount as follows:

Number of times not up to standard	Unlocking ratio based on unlockable amount
Once	75%
Twice	50%
Thrice	25%
Four times	0%

(c) *Treatment of locked Incentive Shares*

Locked Incentive Shares 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 the Partnership**” in (8)(c) of this Incentive Scheme.

(8) *Exit mechanism upon expiration of the Unlocking Period of the Incentive Scheme*

(a) *Revenue realization of the Incentive Shares held by the Participants*

If the Incentive Shares held by the Participants through the Employees’ Shareholding Platform expire during the Locked-up Period and the corresponding Unlocking Conditions are met, the following exit methods shall be implemented:

- (i) In the event that listing is not realized for underlying Shares of this Incentive Scheme within the validity period, the Company have undertaken to assist the transfer of the Company’s Shares reflecting the interests held by Participants through the Partnership to independent third parties within the validity period.

LETTER FROM THE BOARD

Participants must submit transfer applications to the general partner of the Partnership within 30 days prior to the transfer window period agreed with the Partnership each year. Such applications should specify their transfer sizes. The total number of the Company's Shares that a Participant requires the general partner to transfer is the product of the total number of Company's Shares held by Partnership at that time and the proportion of the Participant's equity interest in the Partnership. The general partner shall determine the timing and the price of a transfer during the transfer window period according to the negotiation with the transferee. After the Partnership has transferred the Company's Shares, the proceeds of such transfers of Shares net of tax withholding and Partnership fees in proportion to relevant interest in the Partnership will be distributed to each applicant for buying back the property share in the Partnership held by such Participant. Formalities of the above changes will be registered in the competent industry and commerce authorities in accordance with the relevant provisions of the Partnership agreement. When the Partnership transfers the Company's Shares at a price lower than RMB32 per Share, the relevant Participant(s) may require the de facto controllers of the Company to make up the difference between the actual transfer price and RMB32 per Share in cash. If the de facto controllers fail to pay the difference between the actual transfer price and RMB32 per Share to the Participant on a timely basis, the Company may deduct such amount from the dividend distribution and pay it to the Participant when the Company pays dividend to the de facto controllers. The Participant may require the de facto controllers to shoulder the default responsibility by submitting a lawsuit to the people's court with jurisdiction. These arrangements will enhance the incentive effect of this Incentive Scheme and foster greater willingness for participation in the Incentive Scheme. The de facto controllers of the Company will not directly or indirectly purchase the Company's Shares held by the Employees' Shareholding Platform. Therefore, the Board considers that these arrangements are fair and reasonable and beneficial to the Company and the Shareholders as a whole. The minimum exit price of the Incentive Shares under the Incentive Scheme is RMB32 per Share, which is determined based on the recent trading price of the H Shares of the Company.

- (ii) If, within the validity period, the Shares involved in this Incentive Scheme implement the listing and circulation plan, subject to compliance with relevant laws and regulations and requirements of relevant regulatory agencies and compliance with relevant regulations of the Articles of Associations, Participants may require the Partnership to sell the Company's Shares corresponding to his/her equity shares in order to gradually realize revenue from the equity shares.

Participants must submit share reduction applications to the general partner of the Partnership within 30 days prior to the reduction window period agreed with the Partnership each year. Such applications should specify their price ranges and sizes of the share reductions, and the general partner of the Partnership shall determine the timing and manner of the share reductions during the reduction window period. After the Partnership has disposed the Company's Shares, the proceeds of such transfers of Shares net of tax withholding and Partnership fees in proportion to relevant interest in the Partnership will be distributed to each applicant for buying back the property share in the Partnership held by such Participant. Formalities of the above changes will be registered in the competent industry and commerce authorities in accordance with the relevant

LETTER FROM THE BOARD

provisions of the Partnership agreement. When the Partnership reduces holding in the Company's Shares at a price lower than RMB32 per Share, the relevant Participant(s) may require the de facto controllers of the Company to make up the difference between the Share reduction price and RMB32 per Share in cash.

The total number of the Company's Shares that a Participant requires the general partner of the Partnership to reduce is the product of the total number of Company's Shares held by Partnership at the time and the Participant's equity interest in the Partnership. The number of Shares of the Company that any Participant requires the general partner of the Partnership to dispose for a period of time must not exceed the product of the Total Share Reduction of the Participant and the percentage of reduced equity by the Partnership and/or the Participant allowed in accordance with any applicable laws, regulations or the Hong Kong Listing Rules during the period.

(b) *Transfer of the Incentive Shares to specific targets by Participants*

With the prior written consent of the general partner of the Partnership, the Participants may transfer his/her Incentive Shares Entitlement held in the Partnership to specific targets.

The Participants who transfer to a third party other than partners of the Partnership should notify the general partner and other limited partners of the Partnership 30 days in advance and obtain written consent from the same. The transfer price for transfer of Incentive Shares Entitlement by the Participants shall be negotiated between the transferor and the transferee. Under the same conditions, the general partner of the Partnership shall enjoy the right of first refusal; if the general partner of the Partnership waives the right of first refusal, the other limited partners shall enjoy the right of first refusal; if more than one limited partner are willing to purchase at the same time, the parties shall negotiate and determine their respective proportion of purchase. Failing to do so, the proportion of purchases will be determined based on the proportion of their contribution to the Partnership at the time of the transfer.

(c) *Liquidation of the general partner's equity interest in the Partnership*

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:

- (i) the reserved interests that have not granted to the Participants within 36 months;
- (ii) 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 this Incentive Scheme; and

LETTER FROM THE BOARD

- (iii) the Incentive Shares Entitlement held in the event of a change as stipulated in this Incentive Scheme.

When the Company repurchases such Incentive Shares as required under the Incentive Scheme, it shall deduct the cash dividend received in respect of such Shares from the repurchase price.

(9) ***Implementation, granting, unlocking and change, termination procedures of the Incentive Scheme***

(a) *Effective procedures of the Incentive Scheme*

- (i) The Remuneration Committee shall be responsible for drafting the Incentive Scheme.
- (ii) The Board shall review the draft of the Incentive Scheme prepared by the Remuneration Committee. When the Board considers the Incentive Scheme, the related Directors should abstain from voting.
- (iii) After the Board has considered and passed the draft of the Incentive Scheme, the Company shall announce the resolution of the Board.
- (iv) This Incentive Scheme and related resolutions shall be considered as special resolutions at the AGM, and the related Shareholders should abstain from voting.

(b) *Granting procedures of the Incentive Scheme*

- (i) The general partner of the Partnership and the Participants shall sign the Partnership agreement to stipulate the rights and obligations of both parties.
- (ii) The Company will issue the “Demand Note” to the Participants on the Grant Date.
- (iii) The Participants will sign the “Demand Note” and return one of the originals to the Company.
- (iv) Within the period specified by the Company, the Participants will pay the funds used to subscribe for Incentive Shares to the accounts designated by the Company according to the requirements of the Company.
- (v) The Company will prepare a management register of the Incentive Scheme according to the entering into of agreements and subscription by the Participants, setting out names of Participants, numbers of Shares granted, Grant Date, amount of payment and the sequential number of Partnership agreements, etc..

LETTER FROM THE BOARD

(c) *Unlocking procedures for Incentive Shares*

Before the Unlocking Date, the Company shall confirm whether the Participants have met the Unlocking Conditions. Upon confirmation by the Company, Participants who have met the Unlocking Conditions may dispose of unlocked Incentive Shares in their discretion in accordance with the terms of the Incentive Scheme. As for Participants who have not met the Unlocking Conditions, their Incentive Shares shall be repurchased by the Employees' Shareholding Platform and shall be dealt with according to item (8) (c) "Liquidation of the general partner's equity interest in the Partnership" under the Incentive Scheme.

(d) *The amendment and termination procedures of the Incentive Scheme*

(i) Amendment procedures of the Incentive Scheme

If the Company intends to amend the Incentive Scheme before it is considered and passed at the AGM, such amendment shall be considered and passed by the Board. If the Company intends to amend the Incentive Scheme after it is considered and approved at the AGM, such amendment shall be considered and approved at the AGM, unless the circumstances are exceptional where the amendment plan shall be made to the Incentive Scheme pursuant to the relevant laws and regulations and the relevant requirements of the regulatory authorities with respect to the initial public offering and listing of A shares.

(ii) Termination procedures of the Incentive Scheme

If the Company intends to terminate the Incentive Scheme before it is considered and passed at the AGM, such termination needs to be considered and passed by the Board and should be disclosed. If the Company intends to terminate the Incentive Scheme after it is considered and passed at the AGM, such termination should be considered by the Board and the general meeting and should be disclosed.

After the Incentive Scheme is considered and passed by the general meeting, Incentive Shares will be granted to the Participants in batches. The Incentive Shares granted to the Participants will have a Locked-up Period of 48 months commencing from the date when the Incentive Shares are granted to the Participants for the first time and the corresponding appraisal period shall be four years from 2018 to 2021. Participants who will be granted reserved entitlements and the amount of grants shall be determined by the Board of the Company within 36 months after the Incentive Scheme is considered and passed by the general meeting. If no Participants are ascertained after the lapse of 36 months, the reserved entitlements shall become invalid. Incentive Shares granted in the first batch shall be fully unlocked after 48 months of the first date of grant. Reserved Incentive Shares and the Incentive Shares granted in the first batch shall be unlocked concurrently.

The Incentive Scheme shall be valid for a period of 10 years from its passing at the general meeting. Upon expiry of the valid period, the Partnership shall complete the liquidation of all equity interest.

LETTER FROM THE BOARD

(10) *Other rights and obligations of the Company/Participants*

(a) *Rights and obligations of the Company*

- (i) The Company shall have the right to construe and execute the Incentive Scheme and shall evaluate the performance of Participants, and supervise and review if the Participants have the qualification to unlock shares. If the Participants fail to fulfill the Unlocking Conditions required by the Incentive Scheme, the Company will repurchase the corresponding locked-up Incentive Shares from the Participants in accordance with the principle required by the Incentive Scheme.
- (ii) The Company has the right to require the Participants to work for the Company based on the requirements of their positions. If the Participants are incompetent in performing their duties or fail in the appraisal or violate the laws and professional ethics, leak confidential information of the Company or are negligent or commit gross misconduct in performance of duties, which may cause serious damage to the interests or reputation of the Company, the locked-up Incentive Shares of the Participants may be cancelled upon the approval of the Board.
- (iii) The Company shall pay individual income tax and other taxes and fees on behalf of the Participants in accordance with relevant provisions of the tax laws and regulations of the PRC.
- (iv) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants with respect to the acquisition of Incentive Shares under the Incentive Scheme.
- (v) The Company shall make timely, true, accurate and complete disclosure of information disclosure documents relating to the Incentive Scheme according to relevant laws and regulations and regulatory documents, warrant that such documents do not contain false statement, misleading representation or material omission and timely perform relevant reporting obligations under the Incentive Scheme.
- (vi) Other relevant rights and obligations as stipulated under the laws, administrative regulations and regulatory documents.

(b) *Rights and obligations of the Participants*

- (i) Participants shall comply with the requirements of their positions within the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make due contributions to the development of the Company.
- (ii) Participants shall lock up the Incentive Shares Entitlement granted to them according to the requirements of the Incentive Scheme.
- (iii) Source of funds of Participants shall be derived from their own funds.

LETTER FROM THE BOARD

- (iv) Incentive Shares Entitlement granted to Participants according to the Incentive Scheme must not be disposed of during the Locked-up Period (including but not limited to transfer, sale, guarantee, mortgage or pledge).
- (v) Any gains of the Participants derived from the Incentive Scheme are subject to individual income tax and other taxes and fees according to PRC tax regulations.
- (vi) Participants undertake that they shall cease to receive any gains from the properties of the Partnership starting from the date of departure and shall cooperate with the Partnership in completing all exit procedures.
- (vii) Other relevant rights and obligations as stipulated by laws, administrative regulations, regulatory documents and the Incentive Scheme.

(c) *Other explanations*

After the Incentive Scheme is considered and approved by the AGM of the Company, the general partner of the Partnership shall sign the partnership agreement with each Participant to expressly define their respective rights and obligations under the Incentive Scheme and other relevant matters.

Any dispute between the Company and the Participants shall be resolved in accordance with provisions of the Incentive Scheme and the Partnership Agreement. Disputes which are not clearly covered by the provisions shall be resolved in accordance with PRC laws through arm's length negotiation. Where the disputes cannot be settled through negotiations, they shall be referred to the people's court with jurisdiction over the Company's place of domicile.

The determination of Participants under the Incentive Scheme by the Company does not constitute an undertaking about the employment period of employees. The Company still determines its employment relationship with employees according to the labor contract or engagement contract signed with the Participants.

(11) ***Solutions to the Incentive Scheme in case of unusual changes to the Company/Participants***

(a) *Solutions in case of unusual changes to the Company*

- (i) Merger and spin-off of the Company, etc..

In case of merger and spin-off of the Company, the Board shall decide whether the Incentive Scheme should be terminated within 5 business days from the date of such merger and spin-off.

- (ii) Change in control of the Company

When there is any change in control of the Company, the Board shall decide whether the Incentive Scheme should be terminated within 5 business days from the date when the control of the Company changes.

LETTER FROM THE BOARD

- (iii) Proposed application for initial public offering and listing of A Shares by the Company

In order to comply with relevant laws and regulations and requirements of relevant regulatory authorities, if necessary, before the Company apply for initial public offering and listing of A Shares, the Board of the Company has the right to change such scheme, including but not limited to arrangements such as proposed solution of early unlocking, cancellation of performance assessment conditions, and extension of lock-up period.

- (b) *Solutions to changes in personal particulars of the Participants*

The following actions shall be taken in the following circumstances. Meanwhile, the general partner of the Partnership has the right, depending on circumstances, to require the participants to return the cash dividend received by them.

- (i) Changes in job positions of Participants

- ① If a Participant has a change in job position but still works in the Group, the Incentive Shares granted to him/her/it will still be subject to the procedures as specified in the Incentive Scheme. If additional Incentive Shares need to be granted to a Participant due to change in job position, the Company will grant the Incentive Shares reserved under the Incentive Scheme to them.
- ② If the Participants experience a change in position due to acts which harm the interests or reputation of the Company including violation of laws or professional ethics, leakage of confidential information of the Company or being negligent or committing gross misconduct in performance of duties or terminates their labor relationship with the Company due to the aforesaid reasons, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the contribution amount paid in by the Participants when they invest in the Partnership.

- (ii) Resignation by Participants

- ① If the labor contracts or employment contracts of Participants have expired and are not renewed or the Participants tender their resignation, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the contribution amount paid in by the Participants when they invest in the Partnership.
- ② If the Participants resign passively due to reasons such as layoff by the Company and does not fail in the performance appraisal or commit misconduct or breach of laws and disciplines, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the contribution amount paid in by the Participants when they invest in the Partnership.

LETTER FROM THE BOARD

(iii) Retirement by Participants

If the Participants are re-employed after retirement, Incentive Shares granted to them shall be fully handled according to the procedures specified in the Scheme before their retirement. If the Company offers the re-employment requirements but the Participants refuse such requirements or the Participants resign upon retirement, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid in by the Participants when they invest in the Partnership.

(iv) Resignation by Participants due to incapacity

- ① If the Participants resign due to incapacity resulting from job-related injury, the Remuneration Committee shall determine the handling method according to the circumstance, including whether all or part of the Incentive Shares can be handled according to the procedures specified in the Scheme before the occurrence of such circumstance. Otherwise the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid by the Participants when they invest in the Partnership.
- ② If the Participants resign not due to incapacity resulting from job-related injury, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid by the Participants when they invest in the Partnership.

(v) Death of Participants

- ① If the Participants die due to the performance of duties, the Remuneration Committee shall determine the handling method according to the circumstance, including whether the granted Incentive Shares are held by their designated heirs or lawful heirs on their behalf according to the procedures specified in the Scheme prior to their death. Otherwise the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid by the Participants when they invest in the Partnership, and the transferred amounts will be received by their designated heirs or lawful heirs on their behalf.
- ② If the Participants die due to other reasons, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid by the Participants when they invest in the Partnership, and the transferred amounts will be received by its designated heirs or lawful heirs on their behalf.

LETTER FROM THE BOARD

- (vi) Change in the control of the subsidiary to which the Participants belong

For the Participants who hold positions in holding subsidiaries of the Company, if the Company loses control of the subsidiaries and the Participants still work in the companies, the Participants shall transfer all parts of the properties of the Partnership held by them to general partners of the Partnership to which they belong at a transfer price which is the capital contribution amount paid by the Participants when they invest in the Partnership.

- (c) *Other circumstances*

Other circumstances not stated above and the handling method thereof shall be determined by the Remuneration Committee.

(12) *Miscellaneous*

- (a) The Incentive Scheme shall become effective upon review and approval of the AGM of the Company; and
- (b) The Incentive Scheme is subject to interpretation of the Board.

IV. AUTHORISATION TO THE BOARD OF DIRECTORS TO DEAL WITH, AT ITS ABSOLUTE DISCRETION, MATTERS RELATING TO THE EQUITY INCENTIVE SCHEME OF THE COMPANY

The Board proposed to grant the following authorization to the Board upon seeking approval from the Shareholders at the AGM:

- (1) to authorize the Board to determine the qualifications and conditions for Participants to participate in the Equity Incentive Scheme, and to confirm the Grant Date of the Equity Incentive Scheme;
- (2) to authorize the Board to determine all the matters such as the reserved Participants, grant quantity and Grant Date for the Equity Incentive Scheme of the Company;
- (3) to authorize the Board to formally grant Incentive Shares to the Participants when they become eligible;
- (4) to authorize the Board to deal with all matters necessary for the grant and unlocking of equity for Participants to exercise their rights, including but not limited to amending the Articles of Association, handling the business registration procedures such as change in registered capital of the Company and Employees' Shareholding Platform, etc.;
- (5) to authorize the Board to review whether the Participants meet unlocking conditions or repurchase conditions and to agree with the Board for granting such right for exercise by the Remuneration Committee;

LETTER FROM THE BOARD

- (6) to authorize the Board to repurchase and cancel the Incentive Shares in the circumstances as required under the Incentive Scheme and to deal with all matters necessary for the repurchase and cancellation of the Shares, including but not limited to amending the Articles of Association, handling the business registration procedures such as change in registered capital of the Company and Employees' Shareholding Platform, etc.;
- (7) to authorize the Board to 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 requirements, extending the Locked-up Period and other arrangements;
- (8) to authorize the Board to manage the Equity Incentive Scheme of the Company;
- (9) to sign, implement, amend or terminate any agreements in relation to the Equity Incentive Scheme and other relevant agreements;
- (10) to appoint receiving banks, accountants, financial advisers, lawyers and other intermediaries for the implementation of the Equity Incentive Scheme; and
- (11) to authorize the Board to handle other necessary matters required for the implementation of Equity Incentive Scheme, save for rights expressly stipulated in relevant documents to be exercised by the General Meeting.

The validity period of the above authorization shall be consistent with that of this Equity Incentive Scheme.

Approval from the Board

The proposal in relation to the implementation of Equity Incentive Scheme by way of the non-public issuance of Domestic Shares has been approved at the Board meeting dated 29 May 2018. As all of the Directors of the Company waived participation in the Equity Incentive Scheme, none of the Directors shall abstain from voting in this transaction. The Equity Incentive Scheme does not constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. To the best knowledge, information and belief of the Directors, none of the Shareholders are required to abstain from voting on the relevant resolutions at the AGM. The Board will also propose the grant of mandate, which will be valid for 12 months from the date of the AGM, to the Board to deal with, in its absolute discretion, relevant matters in relation to the implementation of the Equity Incentive Scheme by way of the non-public issuance at the AGM. Domestic Shares involved in the implementation of the Equity Incentive Scheme will be issued pursuant to a general mandate.

The Difference Between the Equity Incentive Scheme and Placing and Reasons for Not Adopting Award Incentive Scheme

The share issuance is substantially different from placing from the following three perspectives:
(i) the targets of the issuance. The targets of the share issuance are the employees of the Company,

LETTER FROM THE BOARD

whereas there are no specific restrictions on the targets of placing; (ii) price of issuance. The price of the share issuance is RMB10.47 per share, representing approximately 32.22% of the trading price of the Company's H shares, whereas the price of placing is generally equal to the market share price; (iii) conditions of the issuance and grant. The issuance and granting of shares are premised on the work performance and performance evaluation, while placing has no special requirements and restrictions in such aspect.

The shares issued are intended to be the share source for the Equity Incentive Scheme, whose Participants are employees of the Company, the grant price of Incentive Shares is RMB10.47 per share, representing approximately 32.22% of the trading price of the Company's H shares. Since the Incentive Shares of the Company have not been listed and circulated, to serve the purpose of effective incentivisation, the Company has undertaken to assist Participants to transfer the Company's shares held by them which reflect the corresponding property portion through the Partnership to third parties not connected with the Company within the validity period, in order to realize the revenue of the Incentive Shares held by Participants.

In conclusion, the shares issued have special characteristics and the scale of issuance is relatively small, which are different from the substance and purpose of placing.

Considering the purpose of the Equity Incentive Scheme, the persons included as participants of the Equity Incentive Scheme are employees who play important roles in the future operation and development of the Company. Apart from the purpose of motivation, the Company intend to retain such employees for long-term services and contribution. Therefore, different from an award incentive scheme where employees do not need to contribute capitals and thus the purpose of retaining such employees is not effectively served, the Equity Incentive Scheme adopted only allows employees with limited rights of disposal. Only after the conditions for performance evaluation and serving period are satisfied can the participants dispose of the shares and gain revenues.

Shareholding Structure of the Company

The table below sets forth the shareholding structure of the Company (i) as of the Latest Practicable Date; and (ii) immediately after allotment and issuance of subject Shares for illustrative purposes only, assuming that 2,460,000 Shares will be issued to the Partnership and there is no other change in the shareholding structure of the Company as of the Latest Practicable Date.

Class of Shares	Shareholding Structure as of the Latest Practicable Date		Shareholding Structure after Issuance of Subject Shares	
	No. of Shares	Approximate Percentage of the Company's Total Issued Share Capital	No. of Shares	Approximate Percentage of the Company's Total Issued Share Capital
Domestic Shares				
Mr. GUAN Weili	18,350,250	25.1236%	18,350,250	24.3050%

LETTER FROM THE BOARD

Class of Shares	Shareholding Structure as of the Latest Practicable Date		Shareholding Structure after Issuance of Subject Shares	
	No. of Shares	Approximate Percentage of the Company's Total Issued Share Capital	No. of Shares	Approximate Percentage of the Company's Total Issued Share Capital
Domestic Shares				
Guangzhou GL Capital Investment Fund L.P. (“Defu Fund”)	15,384,541	21.0632%	15,384,541	20.3769%
Ms. WANG Hongyue	3,984,350	5.4550%	3,984,350	5.2773%
Ms. WANG Lianyue	3,794,500	5.1951%	3,794,500	5.0258%
Shanghai Tanying Investment L.P. (上海檀英投資合夥企業 (有限合夥))	3,253,180	4.4540%	3,253,180	4.3088%
Shanghai Qiangang Investment Management L.P. (上海乾剛投資管理合夥企業 (有限合夥))	3,253,179	4.4540%	3,253,179	4.3088%
Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝納投資有限公司)	2,780,000	3.8061%	2,780,000	3.6821%
Ningbo Xinshi Kangning Investment Management L.P.	1,543,000	2.1125%	1,543,000	2.0437%
Ningbo Enci Kangning Investment Management L.P.	258,000	0.3532%	258,000	0.3417%
Ningbo Renai Kangning Investment Management L.P.	199,000	0.2725%	199,000	0.2636%
The Partnership ⁽¹⁾	—	—	2,460,000	3.2583%
H Shares				
Public float ⁽²⁾	20,240,000	27.7108%	20,240,000	26.8079%
Total Number of Issued Shares	73,040,000	100%	75,500,000	100%

Notes:

- (1) The Partnership is a limited partnership formed by the Company to establish the Employees' Shareholding Platform, the name of which is subject to approval by relevant administration for industry and commerce in the PRC.
- (2) The public float is the shareholdings of the other shareholders of the Company, excluding the following shareholders: (i) shareholders holding 10% or more of the Shares of the Company and their associates; (ii) the Directors, supervisors and general manager of the Company and their associates; and (iii) the Domestic Shareholders of the Company.

LETTER FROM THE BOARD

Information about the Company

The Company primarily engages in operating of psychiatric hospitals and providing hospital management services.

Fund Raising Activities in the Past Twelve Months

The Company did not conduct any fund-raising activities through issuance of Shares in the 12 months immediately preceding the Latest Practicable Date.

The Equity Incentive Scheme is not a share option scheme, and shall not be subject to the requirements under Chapter 17 of the Hong Kong Listing Rules.

The Equity Incentive Scheme shall be subject to the fulfillment of certain conditions, and accordingly, the Equity Incentive Scheme may or may not proceed. Shareholders and potential investors of the Company are advised to pay attention to investment risks and exercise in caution when dealing in the Shares of the Company.

V. AGM

The Company will convene the AGM on Wednesday, June 13, 2018 at 2:00 p.m., at Conference room, 12/F, Building 1, Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang Province, the PRC. The Revised AGM Notice is set out on pages 28 to 32 of this supplementary circular.

Please also refer to the notice of the Company dated April 26, 2018 for details in respect of other resolution(s) to be considered at the AGM, eligibility for attending the AGM, registration procedures, closure of register of members, procedures on demanding a poll and other relevant matters.

Since the form of proxy sent together with the circular dated April 26, 2018 (the “**First Form of Proxy**”) does not contain the additional proposed resolution(s) as set out in the Revised AGM Notice, a new form of proxy (the “**Revised Form of Proxy**”) has been prepared and is enclosed with the Revised AGM Notice.

The Revised Form of Proxy for use at the AGM is enclosed with the Revised AGM Notice and is also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.knhosp.cn). Whether or not you intend to attend the AGM, you are requested to complete and return the enclosed Revised Form of Proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the Revised Form of Proxy will not preclude you from attending the AGM and voting in person if you so wish.

A Shareholder who has not yet lodged the First Form of Proxy in accordance with the instructions printed thereon is requested to lodge the Revised Form of Proxy if he or she wishes to appoint proxies to attend the AGM on his or her behalf. In this case, the First Form of Proxy should not be lodged.

LETTER FROM THE BOARD

A Shareholder who has already lodged the First Form of Proxy in accordance with the instructions printed thereon should note that:

- (i) If no Revised Form of Proxy is lodged in accordance with the instructions printed thereon, the First Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed. The proxy appointed under the First Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution(s) properly put to the AGM, including the additional proposed resolution(s) as set out in the Revised AGM Notice.
- (ii) If the Revised Form of Proxy is lodged in accordance with the instructions printed thereon not less than 24 hours before the time appointed to hold the AGM or any adjourned meeting (the “**Closing Time**”), the Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed.
- (iii) If the Revised Form of Proxy is lodged after the Closing Time, the Revised Form of Proxy will be deemed invalid. It will not revoke the First Form of Proxy previously lodged by the Shareholder. The First Form of Proxy will be treated as a valid form of proxy if duly completed. The proxy appointed under the First Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution(s) properly put to the AGM, including the additional proposed resolution(s) as set out in the Revised AGM Notice.

Shareholders are reminded that completion and return of the First Form of Proxy and/or the Revised Form of Proxy will not preclude them from attending and voting in person at the AGM or any adjournment thereof.

VI. RECOMMENDATION

The Directors (including all independent non-executive Directors) consider that all resolutions set out in the Revised AGM Notice for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of such resolutions to be proposed at the AGM as set out in the Revised AGM Notice.

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

Zhejiang, the PRC
May 30, 2018

REVISED NOTICE OF THE ANNUAL GENERAL MEETING

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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

REVISED NOTICE OF THE ANNUAL GENERAL MEETING FOR THE YEAR 2017

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**AGM**”) for the year 2017 of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) will be held at Conference room, 12/F, Building 1, Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC at 2:00 p.m. on Wednesday, June 13, 2018 for the purposes of considering and, if thought fit, passing the following resolutions. In this revised notice, unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Company’s circular dated April 26, 2018 (the “**Circular**”) and the supplementary circular dated May 30, 2018 (the “**Supplementary Circular**”).

RESOLUTIONS TO BE CONSIDERED AND APPROVED AT THE AGM

By way of special resolution:

- (1) To consider and approve the proposed grant of a general mandate to the Board to issue additional Domestic Shares;

By way of ordinary resolutions:

- (2) To consider and approve the financial report for the year 2017 (including the audited financial statements);
- (3) To consider and approve the proposed profit distribution plan for the year 2017;
- (4) To consider and approve the proposed financial budget for the year 2018;
- (5) To consider and approve the proposed appointment of PricewaterhouseCoopers Zhong Tian LLP as the independent auditor of the Company for the year 2018, to hold office until the conclusion of the next annual general meeting of the Company;
- (6) To consider and approve the report of the Board for the year 2017;
- (7) To consider and approve the report of the Supervisory Committee for the year 2017; and
- (8) To consider and approve the report of the independent non-executive Directors for the year 2017.

REVISED NOTICE OF THE ANNUAL GENERAL MEETING

By way of special resolutions:

- (9) To consider and approve the proposed grant of a general mandate to the Board to issue H Shares;
- (10) To consider and approve the proposed adoption of the Equity Incentive Scheme for the year 2018; and
- (11) To consider and approve the authorisation to the Board to deal with, at its absolute discretion, matters relating to the Equity Incentive Scheme of the Company.

Details of the above resolutions proposed at the AGM are contained in the Circular and the Supplementary Circular, which is available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.knhosp.cn).

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As of the date of this revised notice, the executive Directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the non-executive Directors are Mr. YANG Yang and Mr. LIN Lijun; and the independent non-executive Directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin.

REVISED NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

ATTENDEES OF THE AGM

1. Eligibility and Registration Procedures for Attending the AGM

- (a) Closure of Register of Members. For the purpose of ascertaining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 14, 2018 to Wednesday, June 13, 2018 (both days inclusive).
- (b) Domestic Shareholders and H Shareholders whose names appear on the register of members of the Company before the close of business on Friday, May 11, 2018 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM.
- (c) H Shareholders who wish to attend the AGM shall lodge their Share Certificates accompanied by the transfer documents with Computershare Hong Kong Investor Services Limited before 4:30 p.m. on Friday, May 11, 2018 for registration.
- (d) A Shareholder or his/her/its proxy shall produce proof of identity when attending the meeting. If a Shareholder is a legal person, its legal representative or other persons authorized by the board of directors or other governing body of such Shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such persons to attend the meeting.
- (e) Domestic Shareholders and H Shareholders intending to attend the AGM should return the reply slip for attending the AGM to the Company on or before Thursday, May 24, 2018.
- (f) Shareholders may send the above reply slip to the Company in person, by post or by fax.

2. Proxy

- (a) A Shareholder eligible to attend and vote at the AGM is entitled to appoint, in written form, one or more proxies to attend and vote on his/her/its behalf. A proxy does not need to be a Shareholder.
- (b) A proxy should be appointed by a written instrument signed by the appointer or his/her/ its attorney duly authorized in writing. If the form of proxy is signed by the attorney of the appointer, the power of attorney authorizing that attorney to sign or the authorization document(s) must be notarized.
- (c) To be valid, the power of attorney or other authorization document(s) which have been notarized together with the completed form of proxy must be delivered to the place of business of the Company for Domestic Shareholders and Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for H Shareholders not less than 24 hours before the time designated for holding of the AGM (i.e. before 2:00 p.m. on Tuesday, June 12, 2018).
- (d) A Shareholder or his/her/its proxy may exercise the right to vote by poll.

REVISED NOTICE OF THE ANNUAL GENERAL MEETING

3. The Revised Form of Proxy

Since the form of proxy sent together with the circular dated April 26, 2018 (the “**First Form of Proxy**”) does not contain the additional proposed resolution(s) as set out in the revised notice of the AGM, a new form of proxy (the “**Revised Form of Proxy**”) has been prepared and will be enclosed with the revised notice of the AGM.

The Revised Form of Proxy for use at the AGM is enclosed with the revised notice of the AGM and is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.knhosp.cn). Whether or not you intend to attend the AGM, you are requested to complete and return the enclosed Revised Form of Proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the Revised Form of Proxy will not preclude you from attending the AGM and voting in person if you so wish.

A Shareholder who has not yet lodged the First Form of Proxy in accordance with the instructions printed thereon is requested to lodge the Revised Form of Proxy if he or she wishes to appoint proxies to attend the AGM on his or her behalf. In this case, the First Form of Proxy should not be lodged.

A Shareholder who has already lodged the First Form of Proxy in accordance with the instructions printed thereon should note that:

- (i) If no Revised Form of Proxy is lodged in accordance with the instructions printed thereon, the First Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed. The proxy appointed under the First Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution(s) properly put to the AGM, including the additional proposed resolution(s) as set out in the revised notice of the AGM.
- (ii) If the Revised Form of Proxy is lodged in accordance with the instructions printed thereon not less than 24 hours before the time appointed to hold the AGM or any adjourned meeting (the “**Closing Time**”), the Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed.
- (iii) If the Revised Form of Proxy is lodged after the Closing Time, the Revised Form of Proxy will be deemed invalid. It will not revoke the First Form of Proxy previously lodged by the Shareholder. The First Form of Proxy will be treated as a valid form of proxy if duly completed. The proxy appointed under the First Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution(s) properly put to the AGM, including the additional proposed resolution(s) as set out in the revised notice of the AGM.

Shareholders are reminded that completion and return of the First Form of Proxy and/or the Revised Form of Proxy will not preclude them from attending and voting in person at the AGM or any adjournment thereof.

REVISED NOTICE OF THE ANNUAL GENERAL MEETING

4. Closure of Register of Members for H Shares regarding the Proposed Final Dividend

For the purpose of ascertaining Shareholders who qualify for the Proposed Final Dividend, the H Share register of members of the Company will be closed from Wednesday, June 20, 2018 to Monday, June 25, 2018 (both days inclusive). In order to qualify for the Proposed Final Dividend, H shareholders shall lodge their Share Certificates accompanied by the transfer documents with the Company's share registrar of H Shares before 4:30 p.m. on Tuesday, June 19, 2018.

5. Miscellaneous

- (a) The AGM will not last for more than one working day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.
- (b) The address of the Company's share registrar of H Shares, Computershare Hong Kong Investor Services Limited, is at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The contact details of the place of business of the Company are as follows:

No. 1 Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC

Postal Code: 325000

Telephone No.: (+86) 577 8877 1689

Facsimile No.: (+86) 577 8878 9117

- (d) The contact person for the AGM is Mr. WANG Jian and his telephone number is (+86) 577 8877 1689.