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(2) F; ; ; at; Ca F w ; P al Ba A t a C ta; E t S al D a t t C a

PwC noted that a certain employee of the Social Work Department of the Company received a large amo nt of f nds from five renovation s ppliers in an aggregate amo nt of RMB9.79 million in 2020 and from Jan ary to J ne 2021. However, the f nds were not recorded in the Company's financial statements for the six months ended J ne 30, 2021. The employee explained to PwC that the transfer of f nds was for proc ring certain materials req ired for renovation projects of the Company.

(3) F; ; ; at; Ca F w ; P al Ba A t a S ; Ma a t O ; t C a

PwC noted that a renovation s pplier, a former individ al minority shareholder of a s bsidiary of the Company and the Indirect Investor, had a s bstantial amo nt of f nd transfers with Ms. WANG Hongy e, the former chief financial officer of the Company, and the net inflow of s ch transfer amo nted to RMB9.5 million for the period from Jan ary 1, 2018 to J ne 30, 2021. Ms. WANG Hongy e explained that these f nd transfers were loans she personally obtained to pay for the rep rchase of employee shares nder the employee eq ity incentive scheme.

SCOPE OF THE INDEPENDENT IN ESTIGATION AND ORKS PERFORMED

On March 14, 2022, the Independent Investigation Committee of the Company appointed an independent third-party acco nting firm as the investigation firm (the "**I t; at; F; **") to perform the Independent Investigation of the following alleged cash flow related matters (the "**A A a( )**"), incl ding:

(i) cash flows in the personal bank acco nts of key finance personnel of the Company (the "**A A a I**");

(ii) cash flows in the personal bank acco nt of a certain employee from the Social Work Department of the Company (the "**A A a II**"); and

(iii) cash flows in the personal bank acco nt of a senior management officer of the Company (the "**A A a III**").

For the p rpose of the Independent Investigation, which covered the period from Jan ary 1, 2018 to Febr ary 28, 2022 (the "**R ; w P ; **"), the Investigation Firm performed the following proced res:

(i) developed an investigation plan and collected relevant doc ments;

(ii) cond cted in-depth interviews with relevant selected personnel, donors, former Shareholders and renovation s ppliers involved in the Alleged Areas;

(iii) reviewed the financial records related to the Alleged Areas, non-financial records s ch as s pplier files, and internal control policies and proced res of the Company in relation to the Alleged Areas;

(iv) obtained the cash flow details of personal bank acco nts of employees involved in the Alleged Areas to identify large transfers or cash withdrawals by personnel involved in the Alleged Areas I and II;

(v) performed forensic imaging of 40 comp ters of employees involved in the Alleged Areas, and reviewed 12,444 doc ments thro gh keyword search to identify information relating to the investigation;

(vi) performed testing on sampled patients implicated in Alleged Area I as well as sampled transactions between the Company and s ppliers and Minority Shareholders involved in the Alleged Areas;

(vii) performed walkthro ghs of b siness processes related to the Alleged Areas to nderstand controls in place and identify apparent deviations from relevant policies and proced res relating to the Alleged Areas; and

(viii) cond cted p blicly available backgro nd research on related b siness partners, s bsidiaries,

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The investigation confirmed the f nd flows described by PwC that, in 2019 and 2020, key finance personnel withdrew large s ms of cash from their personal bank acco nts and deposited the money to the Company's bank acco nts shortly after. These deposits were sed to settle acco nts receivable in the names of vario s patients. S ch acco nts receivable settlements totaled RMB14.43 million. The so rce of f nds for these transactions came from two renovation s ppliers of the Company and two individ als who had direct or indirect interests in the Company's s bsidiaries (the "**M; t S a !** ").

Ms. WANG Hongy e, the former chief financial officer of the Company stated that the f nds from the two s ppliers and two Minority Shareholders were donations that were solicited by her on behalf of the Company for certain nderprivileged patients. In partic lar, the investigation fo nd that for certain patients (identified as mentally disabled or impoverished by the relevant government a thorities), after reimb rsement from p blic so rces (incl ding p blic medical ins rance, s bsidies from the Ministry of Civil Affairs and miscellaneo s s bsidies from the PRC Government), the patients themselves or their families were still nable to pay the remaining medical fees inc rred by the patients in f ll. Based on the Company's past experience, a certain percentage (aro nd 5%-8%) of the medical fees of these patients were considered to be ncollectible. The Investigation Firm fo nd that altho gh it is highly probable that the Company wo ld not be able to collect these amo nts, it did not write off the amo nts as bad debts, b t made arrangements with certain charities whereby the Company made donations to, and received similar s ms from the charities, which were applied to settle ncollectible medical fees from impoverished patients. Altho gh these arrangements appeared to be n s al from an ordinary commercial perspective, the Company nonetheless nderstood this being an ind strial practice that is prevalent among the hospitals.

These donations, however, were ins fficient to f lly settle the o tstanding balance of ncollectible medical fees. According to the disc ssion between the Investigation Firm and vario s finance personnel, these o tstanding acco nts receivable, in partic lar those aged three years or above, sho ld have been written off as bad debt, altho gh this req irement was not f lly implemented. The Investigation Firm fo nd that the Company only recorded bad debt write-offs p to (i.e. not exceeding) the bad debt provision, and the o tstanding acco nts receivable that sho ld have been b t were not written off wo ld be carried forward and prioritized for settlements in the following years, thro gh the donation arrangements with charities.

According to Ms. WANG Hongy e, this created an iss e when, commencing 2018/2019, the relevant charities only allowed donations to settle o tstanding medical fees that were overd e for less than one and a half years, and this had an impact on the Company as it co ld no longer se donations to settle long aging acco nts receivable; instead, the Company was req ired to record these long aging acco nts receivable as bad debts, which co ld negatively impact the financial performance of the Company.

Ms. WANG Hongy e stated in her interviews that she believed she had a responsibility as the chief financial officer to resolve this, altho gh acco nts receivable and bad debt management were not her key performance indicators. On her own initiative and witho t informing the Board, she so ght donors and ltimately raised RMB14.43 million from vario s parties (the "**1443 at;** "). The Investigation Firm performed a sample testing on medical records of the patients involved in the 1443 donations, and fo nd no abnormality in the real existence of s ch patients.

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The Investigation Firm fo nd that, two donors confirmed d ring interviews that they donated to the Company. One of the donors, who was the controlling person of a renovation s pplier, said he donated to the Company beca se he made profits from past renovation projects of the Company and saw his donations as a gest re of goodwill in view of the long-term relationship with the Company. While the other donor also confirmed d ring the interview that she made donations to the Company, her acco nt of events contained notable inconsistencies with the findings of the Investigation Firm (e.g. the timing of the donations).

The Investigation Firm also noted other elements of the 1443 donations which did not reflect that the f nd flows were s al donations in nat re:

(i) According to Ms. WANG Hongy e, for some of the donations from one of the Minority Shareholders amo nting to RMB5.25 million, the f nds in fact came from another individ al who transferred f nds to a bank acco nt designated by Ms. WANG Hongy e. Ms. WANG Hongy e f rther stated that he made the transfers as he was renting a property from Wenzho G oda Investment Co., Ltd (at the time a s bsidiary of the Company) at a rate that was below the market. However, d ring the Investigation Firm's interview this individ al, he did not describe the transfers as vol ntary donations to the Company, and instead, he said the transfers were a form of compensation to settle negotiations with Ms. WANG Hongy e regarding a potential rent increase.

(ii) The donations were processed in a convol ted manner. The donations were transferred from the donors to two Company employees, who f rther distrib ted the f nds to the personal bank acco nts of cashiers/acco ntants at the Wenzho General Hospital and seven s bsidiary hospitals. These cashiers/acco ntants then withdrew the f nds in cash, or made bank transfers, to deposit the f nds to the bank acco nts of the Company in smaller amo nts in the name of patients, to appear as if the patients had settled their o tstanding fees. Moreover, Ms. WANG Hongy e personally contrib ted to some of the donations by transferring s ms from her personal bank acco nts to these finance personnel, stating that she had previo sly borrowed from some of the donors and agreed with the donors that, instead of repaying them, she wo ld donate the repayments to the Company to settle o tstanding medical fees d e from patients. The Investigation Firm was nable to confirm the reasonableness of this explanation.

(iii) D ring the investigation process, the Investigation Firm noted that for the majority of the donations, the Company made payments to the donors, as well as a f nd in which one of the donors was an investor (the f nd held shares in certain Company s bsidiaries), aro nd the same time (or amo nt) that the donors made the donations to the Company thro gh Company employees, altho gh the investigation had not identified any direct evidence that these payments made by the Company to the donors were related to the 1443 donations. For example, for the 1443 donations from renovation s ppliers, the Company made payments to these s ppliers for renovation services at aro nd the same time as they made the 1443 donations. On a different occasion, for certain 1443 donations from a former shareholder of a Company s bsidiary, the donation amo nt was close to the consideration paid by the Company to acq ire his shares in the s bsidiary, altho gh the Investigation Firm was told by Ms. WANG Hongy e d ring interviews that the so rce of f nds for his donation was not payments from the Company, b t payments from another individ al who transferred the money to the donor (as designated by Ms. WANG Hongy e) as a form of compensation to settle negotiations with Ms. WANG Hongy e regarding a potential rent increase by Wenzho G oda Investment Co., Ltd. For all the donations described above, the donors and Ms. WANG Hongy e stated in the interviews cond cted by the Investigation Firm that the payments made by the Company to the donors were not related to the donations they made to the Company.

(iv) In an attempt to identify the 1443 donations as ordinary transactions from charities, Ms. WANG Hongy e arranged for the Company employees to sign donation agreements with two charities as "s pervisors" of the donations, after the 1443 donations had already taken place.

(v) The 1443 donations were not described as donations in the Company's ledgers or a dited financial statements.

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The Investigation Firm analysed the acco nting records of the Wenzho General Hospital and the seven s bsidiary hospitals involved in the 1443 donations to determine whether there were acco nts receivable settlements that shared similar characteristics as the 1443 donations from an acco nting perspective (i.e. an entry with a cash on hand or bank deposit as debits and vario s acco nts receivable from patients as credits). The Investigation Firm identified acco nting entries totalling RMB35.9 million that had the characteristics (from an acco nting perspective) similar to the 1443 donations and selected 31 samples totalling RMB8.8 million (24.5% of the total amo nt) for f rther testing, foc sing on large amo nt acco nts receivable settlements, and settlements for long aging receivables relating to patients in the 1443 donations. The Investigation Firm observed that altho gh some of these settlements in the samples corresponded to long aging acco nts receivable and were therefore similar to the 1443 donations in this regard, the so rces of f nds for these settlements were not individ al donors or s ppliers of the Company, b t a type of ins rance specific to low-income farmers, who were ins red by the Wenzho Government to receive additional coverage for low-income farmers on medical fees and hospitalization. The Investigation Firm did not note exceptions from s ch f rther testing, and was able to match the details of the tested samples to the Company's records of ins rance reimb rsements relating to the low-income farmer patients. As a res lt, the f rther tested acco nts receivable settlements did not appear to the Investigation Firm to be part of the scheme related to the 1443 donations.

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The Investigation Firm analysed the bank statements of the relevant finance personnel (i.e., those who helped process the f nds relating to the 1443 donations) to see whether there were large cash withdrawals that were not yet attrib ted to the 1443 donations. The hypothesis was that most of the f nds withdrawn by the finance personnel d ring the relevant period of the 1443 donations sho ld match with the settlement of acco nts receivable relating to the 1443 donations as disclosed by the Company.

Altho gh the Investigation Firm identified additional cash withdrawals of approximately RMB0.2 million by the relevant finance personnel which was not attrib table to the 1443 donations, the Company provided explanations and s pporting doc ments p rs ant to which the Investigation Firm noted that the above-mentioned cash withdrawals were different from those in the 1443 donations, in that the f nds were mostly cash collected directly from patients and they were mostly settlements for o tstanding medical fees aged less than three months. No f rther exceptions were noted.

A" A a II: F ! w ; d a a t a ,■ ! t S ;d D a t,■ t

PwC fo nd that, from Jan ary 2020 to J ne 2021, an employee of the Social Work Department of the Company (the "**E,■ \ **") personally received large transfers totalling RMB9.79 million from five renovation s ppliers, all of which were controlled by the same individ al (the "**A t al C t \"** "). In addition to the transfers identified by PwC, the Investigation Firm also identified that the Employee received an additional RMB2.3 million from the Act al Controller and his related parties from J ly 2021 to October 2021. Based on the works performed, from Jan ary 2018 to Febr ary 2022, the Employee received RMB12.1 million in total from the Act al Controller and his related parties.

One of the five renovation s ppliers controlled by the Act al Controller also donated RMB0.9 million to the Company in Alleged Area I.

In April 2022, the Employee represented that the f nds from the Act al Controller and his related parties were for the Employee to p rchase renovation materials on the Act al Controller's behalf for the Company's renovation projects. However, after the Investigation Firm fo nd anomalies in her s pporting doc ments provided for the said p rchases, the Employee pdated her representations in May 2022 and stated that some of the receipts provided as s pporting doc ments were fabricated by her, and that the f nd flows in fact reflected an arrangement in which the Act al Controller shared the profits of the Company's renovation projects with the Employee's spo se, who helped the Act al Controller in managing those renovation projects and proc ring some of the materials and labo r services req ired for the projects. The Employee's spo se, who is the yo nger brother of the Company's chairman, Mr. GUAN Weili, knew the Act al Controller from having worked in the Company's Constr ction Department (the Employee's spo se departed from the Company in late 2019 or early 2020).

According to the Employee, her spo se worked with the Act al Controller on ten projects, from which the Act al Controller received a total of approximately RMB16.1 million in payments from the Company (which acco nted for 42% of all payments from the Company to the Act al Rotmatesidls doninthe/Reaview. Period). After ded cting project re.91 -A (anpany (whidd ctin(.)ion Departn

(ii) The profit made by the Employee or her spo se from the ten projects with the Act al Controller was based on estimates provided by the Company, most of which corresponded

The Investigation Firm performed f rther works to verify the explanations provided by Ms. WANG Hongy e regarding the f nd flows and identified two matters that might req ire f rther attention:

(i) Renovation costs paid to s ppliers: In some cases, the Individ als of Interest received payments from the Company at aro nd the same time as their transfers to Ms. WANG Hongy e. F rther to this, the sample testing showed that at least three payments totalling RMB7 million corresponded to a renovation contract involved with the Renovation S pplier, which lacked s pporting doc ments for significant cost increments amo nting to RMB8 million, altho gh the Renovation S pplier confirmed that the cost increment was for additional work performed. Ms. WANG Hongy e stated that, altho gh she was involved in the approval of payments to the Renovation S pplier, s ch payments also req ired the approval of the infrastr ct re department, which is responsible for confirming that services had been rendered and the payment amo nts were acc rate. F rther, the Company provided an assessment report dated September 21, 2022 iss ed by a cost cons lting agency who

Ms. WANG Hongy e had stated to PwC that she obtained loans from the Individ als of Interest for the p rpose of rep rchasing shares held by employees nder the employee e**q** ity incentive

REMEDIAL MEAS RES

In view of the above, the Board has proposed the following remedial meas res in response to the Company's operational and internal control problems:

1. Ca ; t t a a t t B a a t a a t t C a

Given that Ms. WANG Hongy e has resigned from the position as an exec tive director of the Company, the Board intends to elect a professional with experience in internal controls and compliance as an exec tive director of the Company.

On Jan ary 9, 2022, the Company appointed Mr. JIN H i (with relevant acco nting q alifications) as the chief financial officer of the Company to be responsible for the financial management of the Company.

The Company intends to appoint an appropriate q alified professional manager with relevant professional experience as the head of the A dit and S pervision Department of the Company to comprehensively take charge of the improvement of internal controls where necessary.

The Company intends to replace the principal responsible persons of the Finance Department, the Social Work Department and the A dit and S pervision Department.

2. R a ; t d ; t t ta; M . ANG H A A a III, t C a w ; j ; d ; ; a; t at ta; ; d a ; t a

3. St t ; t t d t t

The Company has appointed a professional internal control advisory firm and SHINEWING Risk Services Limited as cons ltants of the Company to provide diagnostic advice on corporate governance and internal controls and to review the relevant internal control system, and make rectification recommendations for iss es and concerns identified d ring

4. R a ; a t; t at m t a m a ; a t; ; a t; , ; a

The Board has instr cted the management of the Company to reassess the acco nting treatments related to the arrears of the impoverished patients identified in the Independent Investigation, and to caref lly assess the recoverability of the historical arrears and make necessary corrections of prior acco nting errors, if any.

5. R \ a t t at m t t I ; t I t a t R at; S \; a t A t d C t \ ; \ ; A \ A a I a A \ A a III

The Board has determined that the Indirect Investor involved in Alleged Area I and Alleged Area III and the f nd invested by it (c rrently being a minority shareholder of a s bsidiary of the Company) are regarded as connected persons or related parties of the Company, and the transactions with them in the f t re, if any, will be s bject to the req irements of Chapter 14A of the Listing R les. In addition, the Board incl ded the Renovation S pplier involved in Alleged Area III and other renovation companies controlled by the Act al Controller in the the vendors blacklist of the Company.

6. St t ; t ; t d t \ t m a m \ a ; ;

The Company shall strengthen its internal controls, and promptly address and resolve all loopholes, deficiencies or problems identified in the process of its ongoing review and enhanced internal controls. In partic lar, the Company shall:

i) strengthen f nd management, income and expense management, acco nting and financial reporting management, and set p new checks and balances to ens re d e s pervision, a thorization and approval;

ii) enhance and impose more stringent s pervision of proc rement management, engineering constr ction management and relevant s pplier management proced res;

iii) s pervise the approval and exec tion of material contracts and complete relevant approval and reg latory proced res separately;

iv) strengthen governance and operational control over all operating b sinesses and corporate s pervision. In partic lar, it shall ens re the consistency of the policies, agreements and reg lation at the levels of the Company, and its s bsidiaries and b sinesses, as well as the review and s pervision of all applicable areas; (b) form late formal record-keeping req irements, incl ding maintaining the relevant s pporting materials, min tes of meeting resol tions, etc.;

v) implement and contin e to strengthen meas res to declare conflicts of interest of the directors, senior management and employees of the Company, and implement checks and balances at the Company and its s bsidiary levels and strengthen and monitor the systems and control meas res for preventing any directors and/or other senior management from any cond ct beyond their power and/or other witho t proper deliberation and approval; and

vi) establish a systematic charitable donation system, etc.

CONTIN ED TRADING S SPENSION

At the req est of the Company, trading in the shares of the Company on the Stock Exchange has been s spended with effect from 9:00 a.m. on April 1, 2022. Trading in the shares of the Company will remain s spended ntil f rther notice.

By order of the Board
z Ka ; H td C ., Lt .
G AN
Chairman

Zhejiang, the PRC
October 14, 2022

As of the date of this anno ncement, the Company's exec tive directors are Mr. GUAN Weili and Ms. WANG Liany e; the non-exec tive directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-exec tive directors are Mr. ZHAO X dong, Ms. ZHONG Wentang and Mr. LIU Ning.