

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



康宁

Wenzhou Kangning Hospital Co., Ltd.

溫州康寧醫院股份有限公司

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

(Stock Code: 2120)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

1 INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the financial year ended December 31, 2015 (the “**Reporting Period**”) with comparative figures for the preceding financial year ended December 31, 2014.
- 1.2 The financial statements of the Group for the Reporting Period (the “**Financial Statements**”) are prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”).

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the year ended December 31,			
	2015	2014	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	343,674	296,296	226,363	170,813
Profit before income tax	70,170	68,567	47,576	17,964
Income tax expense	(18,548)	(17,369)	(11,383)	(4,733)
Total comprehensive income	51,622	51,198	36,193	13,231
Attributable to:				
Equity holders of the Company	55,709	51,198	36,193	13,231
Non-controlling interests	(4,087)	—	—	—

	As of December 31,			
	2015	2014	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,224,434	372,339	305,679	226,667
Total liability	262,205	111,249	96,818	202,601
Total equity	962,229	261,090	208,861	24,066
Equity attributable to:				
Owners of the Company	959,716	261,090	208,861	24,066
Non-controlling interests	2,513	—	—	—

3 BUSINESS REVIEW AND OUTLOOK

3.1 Business Review

In 2015, the Group continuously enhanced the operational capabilities of its hospital network, facilitated resource sharing among its member hospitals and improved operational efficiency via center-satellite model. In 2015, the five hospitals owned by the Group enjoyed growing number of beds in operation, which increased from 1,760 beds in 2014 to 2,010 in 2015, and high utilization rate of beds, which generated stable revenue for the Group.

While consolidating our own hospital business, we also made strategic layout in key regions across the country and entered markets in other regions through the asset-light entrustment management model. In 2015, the Group started undertaking entrustment management of Yanjiao Furen Hospital of Traditional Chinese and Western Medicine* (燕郊輔仁中西醫結合醫院, “**Yanjiao Furen Hospital**”), the psychiatric healthcare department of Chengdu Renyi Hospital Company Limited* (成都仁一醫院有限公司, an independent third party established in the People’s Republic of China (the “**PRC**” or “**China**”) on June 29, 2010 and its name was changed from Chengdu Jihong Hospital Company Limited* (成都濟宏醫院有限公司) to the current one on July 28, 2015) and Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司, “**Beijing Yining Hospital**”), increasing the beds of the medical facilities under its management from 150 in 2014 to 370 in 2015 and laying a solid foundation for further countrywide expansion.

The Group has always believed that talents are the Group’s core competitiveness and the Group increased investments in scientific research and talents fostering. In 2015, the Group’s specialized research team, whose members were increased to 12, published 25 papers of different types, 5 of which were incorporated into the Science Citation Database, and landed a project funded by the National Natural Science Foundation for the first time. As driven by the enhancement of our scientific research, the number of the Group’s doctors increased from 150 at the beginning of 2015 to 181 at the end of 2015, showcasing an initial effect of talents accumulation.

3.2 Business Highlights

On January 22, 2016, the Company entered into (i) a framework agreement with Wenzhou Medical University* (溫州醫科大學) in relation to the proposed establishment and operation of the Psychiatry School of Wenzhou Medical University* (溫州醫科大學精神醫學學院); and (ii) a memorandum of understanding with Wenzhou Medical University Asset Management Company Limited* (溫州醫科大學資產經營有限公司) and Wenzhou Guoda Information Technology Company Limited* (溫州國大信息科技有限公司) in relation to the proposed acquisition of 51% of the equity interests in Wenzhou Guoda Investment Company* (溫州國大投資有限公

* For identification purposes only

司) by the Company from Wenzhou Medical University Asset Management Company Limited through public bidding, subject to the entering into of relevant formal agreement(s). For details, please refer to the Company's announcement dated January 22, 2016. The Psychiatry School of Wenzhou Medical University was established on March 20, 2016. As of the date of this announcement, the Company has not acquired any equity interest in Wenzhou Guoda Investment Company.

On January 28, 2016, the Company entered into a framework agreement with Mr. HUANG Feng and Mr. HUANG Chen (collectively, the “**Vendors**”) in relation to (i) the proposed establishment of a target company (the “**Target Company**”) by the Vendors; (ii) the proposed provision of management and consultancy services by the Target Company to Pujiang Huangfeng Psychiatry Specialty Hospital* (浦江黃鋒精神專科醫院) and Chun'an Huangfeng Kang'en Hospital* (淳安黃鋒康恩醫院); and (iii) the proposed acquisition of 26% equity interests and subsequent capital increase in the Target Company by the Company (the “**Proposed Transaction**”). Upon the completion of the Proposed Transaction, it is expected that the Company will hold 51% equity interests in the Target Company. For details, please refer to the Company's announcement dated January 28, 2016. The Target Company was established on February 5, 2016. As of the date of this announcement, the Company has not entered into any agreement in relation to the Proposed Transaction.

On February 22, 2016, the Company entered into a partnership agreement with Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司, “**Jinpu Jianfu**”), Shanghai Yincheng Assets Management Center L.P. (上海銀騁資產管理中心 (有限合夥)), Chongqing Industry Guidance and Equity Investment Fund Co., Ltd. (重慶產業引導股權投資基金有限責任公司), Shinva Medical Instrument Co., Ltd. (山東新華醫療器械股份有限公司), Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司) and USUM Investment Group Co., Ltd. (渝商投資集團股份有限公司) in relation to (i) the establishment of Chongqing Jinpu Healthcare Services Industrial Equity Investment Fund L.P.* (重慶金浦醫療健康服務產業股權投資基金合夥企業 (有限合夥)), (the “**Investment Fund**”); and (ii) the Company's contribution of RMB50.0 million for the subscription to the Investment Fund. On the same date, the Company and Jinpu Jianfu, the managing partner of the Investment Fund, entered into a strategic cooperation agreement in relation to, among others, certain rights of the Company as a limited partner of the Investment Fund. For details, please refer to the Company's announcement dated February 23, 2016. The Investment Fund was established in the PRC on March 22, 2016. As of the date of this announcement, such contribution has not been made and the Company expects to make such contribution in 2016.

* For identification purposes only

3.3 Business Outlook

Looking into the future, the Company will fully leverage on the favorable government policies in China which encourage the public to establish medical facilities and ramp up and expand our healthcare facility network through opening more owned hospitals in 2016. It is expected that Linhai Kangning Hospital Co., Ltd.* (臨海康寧醫院有限公司) (“**Linhai Kangning Hospital**”) and Wenzhou Yining Geriatric Hospital Co., Ltd.* (溫州怡寧老年醫院有限公司) (“**Wenzhou Yining Geriatric Hospital**”, a wholly-owned subsidiary of the Company which was referred to as the “Louqiao Medical Area” in the prospectus of the Company dated November 10, 2015 (the “**Prospectus**”) and whose principal business is to provide medical services for the geriatric, including geriatric psychiatric psychological treatment) will commence operation in the first half of 2016. At the same time, we will also speed up the preparation for the opening of Pingyang Kangning Hospital* (平陽康寧醫院), Quzhou Yining Hospital* (衢州怡寧醫院) and Shenzhen Yining Hospital* (深圳怡寧醫院), aiming for them to commence operation in the second half of 2016.

Meanwhile, we have launched the “Entrepreneurial Program for 100 People” (百人創業計劃), and will come up with new ways of attracting talents and integrating resources and further expand the healthcare facilities network of the Group through various channels in 2016. In addition, the Company will continue to adhere to believing that talents are the core competitiveness, cooperate with Wenzhou Medical University in operating the Psychiatry School of Wenzhou Medical University to enhance its capabilities in scientific research and talents fostering, thus securing a pool of talents for the long-term development of the Group.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

4.1.1 Revenue

The Group generates revenue mainly through the following two ways: (i) revenue from operating its owned hospitals, and (ii) management fees from managing healthcare facilities.

* For identification purposes only

Revenue from operating the Group's owned hospitals

Revenue from operating the Group's owned hospitals consists of fees charged for the outpatient visits and the inpatient services at its various hospitals, including treatment and general healthcare services, pharmaceutical sales and ancillary hospital services. The table below sets forth a breakdown of our revenue from and costs for operating the Group's owned hospitals for the periods indicated:

	For the year ended December 31,	
	2015	2014
	(RMB'000)	(RMB'000)
Treatment and general healthcare services	240,103	206,790
Pharmaceutical sales	87,740	77,384
Ancillary hospital services	2,270	1,828
Total revenue	330,113	286,002
Cost of revenue	206,283	178,766
Gross profit	123,830	107,236

Revenue from the Group's owned hospitals amounted to RMB330.1 million, representing a year-on-year increase of 15.4%, accounting for 96.1% of the total revenue of the Group for the Reporting Period, due to the increase in the annual effective service capacity of our owned hospitals and in average inpatient spending per day per bed. Patient visits received by the five of the Group's owned hospitals hit a new record, with outpatient visits of approximately 129,355 (2014: approximately 119,425) and inpatient bed-days of 689,244 (2014: 615,242). Average spending per outpatient visit increased to RMB486 (2014: approximately RMB482), and total average inpatient spending per day per bed increased to RMB384 (2014: RMB369), partly due to higher prices of certain medical services charged by Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司) and Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司) since March 1, 2015 and January 1, 2015, respectively.

Revenue from treatment and general healthcare services accounted for 72.7% of our revenue from operating our owned hospitals (2014: 72.3%), and revenue from pharmaceutical sales accounted for 26.6% of our revenue from operating our owned hospitals (2014: 27.1%).

Cost of revenue of the owned hospitals of the Group primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, leasing expenses, depreciation and amortization, canteen expenses and testing fees.

Cost of revenue of our owned hospitals increased to RMB206.3 million, representing a year-on-year increase of 15.4%, which was in line with the increase of revenue. Gross profit margin therefore stayed as 37.5% (2014: 37.5%).

Management service fee income

The Group's management service fee income is primarily derived from rendering management services to other healthcare facilities. The table below sets forth the breakdown of our management service fee income and costs for the periods indicated:

	For the year ended December 31,	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	13,561	10,294
Cost of revenue	7,006	2,547
Gross profit	6,555	7,747

Management service fee income of the Group amounted to RMB13.6 million, representing a year-on-year increase of 31.7% and accounting for 3.9% of the total revenue of the Group for 2015, due to the contribution of the management fee in relation to the newly-entrusted Beijing Yining Hospital in 2015 which amounted to RMB1.7 million (2014: nil).

Cost of the Group for rendering management services primarily include benefits and expenses for management staff assigned and amortization of operation rights acquired for obtaining management rights.

Cost of revenue of management services increased to RMB7.0 million, representing a year-on-year increase of 175.1%, outpacing the increase of revenue, mainly because in April 2015, we commenced management of Yanjiao Furen Hospital. The Group acquired 19 years and 9 months of operation right of this hospital and recognized RMB93.1 million of intangible assets. RMB3.5 million was amortized for such operation right in 2015 as cost of revenue of management services. Accordingly, gross profit margin decreased to 48.3% (2014: 75.3%).

4.1.2 Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB130.4 million, representing a year-on-year increase of 13.4%. Overall gross profit margin decreased to 37.9% (2014: 38.8%), reflecting the fact that despite of the stability in gross profit margin of our owned hospitals, the three new healthcare facilities under our management just commenced operation in the Reporting Period and are yet to be mature, which had a negative impact on the gross profit margin of the management and service business.

4.1.3 Other Income

Other income of the Group consists of government grants and provisions for accounts payable. In 2015, other income amounted to RMB3.1 million, representing a year-on-year increase of 346.2%, primarily due to government grants and subsidies.

4.1.4 Selling Expenses

In 2015, the selling expenses of the Group amounted to RMB2.0 million, representing a year-on-year decrease of 5.8%, accounting for 0.6% of the total revenue of this year (2014: 0.7%).

4.1.5 Administrative Expenses

Administrative expenses of the Group primarily consists of benefits and expenses for our management and administrative staff, expenses of the newly-built hospitals prior to their commencement of operation, depreciation, amortization and others.

In 2015, administrative expenses of the Group amounted to RMB62.5 million (2014: RMB45.6 million), representing a year-on-year increase of 37.1%, primarily due to: (i) an increase of RMB6.2 million in our employee benefits and expenses as a result of (1) the increase in our management, research and administrative staff and (2) performance-based bonuses distributed to the employees for their contribution to our business growth; (ii) an increase of RMB3.2 million in the rental fees of Wenzhou Yining Geriatric Hospital which is yet to commence operation; and (iii) an increase of RMB5.2 million in the one-off listing expenses related to our initial public offering.

4.1.6 Finance Income

In 2015, finance income increased to RMB7.6 million, representing a year-on-year increase of 917.8%, primarily because the proceeds from the initial public offering were deposited in Hong Kong dollars (“**HK\$**”). Higher exchange rate of HK\$ against Renminbi (“**RMB**”) increased the unrealized exchange gains by RMB9.8 million, which offset the finance expense relating to long-term payable of RMB4.0 million.

4.1.7 Share of Loss of Investments Accounted for Using the Equity Method

In 2015, share of loss of investment accounted for using the equity method amounted to RMB6.3 million (2014: nil), which represents our 49% equity interests in Beijing Yining Hospital, which commenced its operation in September 2015 and recorded loss after tax of RMB12.8 million.

4.1.8 Income Tax Expense

In 2015, income tax expense increased to RMB18.5 million, representing a year-on-year increase of 6.8%, primarily due to the higher profit before tax of RMB70.2 million (2014: RMB68.6 million). Our effective tax rate in 2015 and 2014 were 26.4% and 25.3%, respectively.

4.1.9 Net Profit

In 2015, profit attributable to the shareholders of the Company (the “**Shareholders**”) amounted to RMB55.7 million, representing a year-on-year increase of 8.8% as compared with 2014.

4.2 Financial Position

4.2.1 Inventory

As of December 31, 2015, inventory balances decreased to RMB7.5 million (as of December 31, 2014: RMB7.9 million), primarily due to the decrease in pharmaceuticals inventory.

4.2.2 Trade Receivables

As of December 31, 2015, the balance of trade receivables increased to RMB123.1 million (as of December 31, 2014: RMB84.5 million), primarily due to: (i) the increase in our revenue over the same period in line with the business growth of our healthcare facilities; and (ii) the increase in the amount of trade receivables attributable to medical insurance programs. Approximately 79.5% of trade receivables of the Group were either bills not presented or aged within six months.

4.2.3 Other Receivables, Deposits and Prepayments

As of December 31, 2015, other receivables, deposits and prepayments increased to RMB91.0 million (as of December 31, 2014: RMB41.2 million), primarily due to: (i) the increase of RMB25.8 million in our prepayments for rental expenses relating to Wenzhou Yining Geriatric Hospital; (ii) the increase of RMB13.0 million relating to the prepayment for the purchase of a property for Pingyang Kangning Hospital Co., Ltd.* (平陽康寧醫院有限公司) (“**Pingyang Kangning Hospital**”, a wholly-owned subsidiary of the Company); and (iii) a loan of RMB12.0 million newly extended to Chengdu Renyi Hospital Company Limited by the Company.

4.2.4 Trade Payables

As of December 31, 2015, trade payables decreased to RMB20.0 million (as of December 31, 2014: RMB23.8 million), of which approximately 84.5% aged within 90 days.

4.2.5 Accruals and Other Payables

As of December 31, 2015, accruals and other payables increased to RMB166.4 million (as of December 31, 2014: RMB60.0 million), primarily due to RMB90.5 million of long-term payables for contractual rights in relation to provision of management services, which represents the annual minimum performance targets for Yanjiao Furen Hospital as set forth in our management agreement for such hospital, aggregated over the duration of such management agreement. Please refer to paragraph 4.3.4 below for more details.

4.2.6 Net Current Assets

As of December 31, 2015, net current assets of the Group amounted to RMB664.0 million (as of December 31, 2014: RMB86.2 million), primarily due to an increase in current assets in the amount of RMB590.7 million which are the cash flow from the initial public offering, offset by an increase in current liabilities in the amount of RMB50.0 million as a result of drawing down a loan from China CITIC Bank which is due within one year.

* For identification purposes only

4.3 Liquidity and Capital Resources

The table below sets forth the information as extracted from the consolidated cash flow statements of the Group for the periods indicated:

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/from operating activities	(5,063)	33,328
Net cash used in investing activities	(382,367)	(60,663)
Net cash from/(used in) financing activities	708,785	(2,977)
Net increase/(decrease) in cash and cash equivalents	321,355	(30,312)

4.3.1 Net Cash from Operating Activities

In 2015, net cash outflow from operating activities amounted to RMB5.1 million. We had net cash generated from operating activities before changes in working capital of RMB87.0 million, primarily consisting of profit before tax of RMB70.2 million and adjustments for depreciation of property, plant and equipment of RMB17.3 million. Changes in working capital resulted in cash outflow of RMB66.4 million, primarily consisting of an increase of RMB58.2 million in trade and other receivables as a result of: (i) increased treatment volume attributable to the continued expansion and scaling up of our healthcare facilities network; and (ii) our prepayments for rental expenses relating to Wenzhou Yining Geriatric Hospital. We had further cash outflow of RMB25.7 million attributable to our income tax paid.

4.3.2 Net Cash Used in Investing Activities

In 2015, net cash used in investing activities amounted to RMB382.4 million, primarily due to: (i) purchase of property, plant and equipment of RMB113.6 million, consisting of (1) amounts paid and prepaid to renovate and upgrade Wenzhou Kangning Hospital and (2) amounts paid to renovate Beijing Yining Hospital, Linhai Kangning Hospital and Wenzhou Yining Geriatric Hospital prior to their opening; and (ii) a term deposit with initial term over three months of RMB251.3 million.

4.3.3 *Net Cash from Financing Activities*

In 2015, net cash from financing activities amounted to RMB708.8 million, primarily due to: (i) net proceeds from the initial public offering of RMB590.7 million; (ii) proceeds of RMB78.4 million from issuance of share capital due to capital contribution by investors prior to the initial public offering; and (iii) a loan of RMB50.0 million from China CITIC Bank.

4.3.4 *Significant Investment, Acquisition and Disposal*

The Group entered into an entrustment management agreement with Yanjiao Furen Hospital in March 2015 and a supplemental agreement in April 2015. The term of the entrustment management agreement is from April 2015 to December 2034, extendable if both parties agree three months prior to expiry. During the term of the agreement, the Group undertakes to provide management services to Yanjiao Furen Hospital and meet a predetermined schedule of annual minimum performance targets. The minimum performance target begins with RMB2.7 million for the period from April 1, 2015 to December 31, 2015, increases to RMB4.0 million for the year 2016, and subsequently increases by a predetermined fixed rate within the range of 4% to 10% until the year of 2034, for which the minimum performance target is RMB14.1 million. If Yanjiao Furen Hospital fails to meet such target, the Group is required to contribute the shortfall. On the other hand, the Group is entitled to receive any portion of profit (based on statutory accounts of Yanjiao Furen Hospital with certain adjustments agreed by two parties upfront in the entrustment management agreement) exceeding the performance target as its management income from Yanjiao Furen Hospital. As a result, the Group is effectively obligated to pay to Yanjiao Furen Hospital a predetermined amount over the term of the agreement in exchange for the contractual rights to provide management services to the hospital over the same period. The Group recognizes such contractual right to manage Yanjiao Furen Hospital and receive management service fees as intangible assets of RMB93.1 million on the balance sheet, measured initially at the amount calculated by discounting the future annual minimum performance target using the prevailing market interest rate.

Save as disclosed above, the Group had no significant investment, acquisition or disposal in 2015.

On February 22, 2016, the Company entered into an agreement to contribute RMB50.0 million to the Investment Fund, which shall invest in healthcare and other modern services industries. In principle, the Investment Fund's investment in the healthcare service industry shall be no less than 80% of its total amount available for investment. For details, please refer to the announcement of the Company dated February 23, 2016. As of the date of this announcement, such contribution has not been made and the Company expects to make such contribution in 2016.

4.3.5 Capital Expenditure

Capital expenditure of the Group primarily consisted of expenditures on: (i) property, plant and equipment, comprising buildings and construction, leasehold improvements, medical equipment, furniture and office equipment and motor vehicles; (ii) land use rights; and (iii) intangible assets. Capital expenditure of the Group in 2015 was RMB193.4 million, representing an increase of 163.1% from 2014, primarily due to the acquisition of the operation right of Yanjiao Furen Hospital for 19 years and 9 months at a consideration of RMB93.1 million.

4.3.6 Use of Proceeds from Initial Public Offering

The Board closely monitored the use of proceeds from the initial public offering with reference to those as disclosed in the Prospectus and confirmed that there was no material change in the proposed use as previously disclosed in the Prospectus. As of December 31, 2015, the Group applied the proceeds for the following:

- RMB20.0 million for the decoration expenses of Wenzhou Yining Geriatric Hospital; and
- RMB20.0 million for contribution to the registered capital of and provision of a loan to Pingyang Kangning Hospital, of which RMB13.0 million was used for the purchase of properties.

4.4 Indebtedness

4.4.1 Bank Borrowings

As of December 31, 2015, the balance of bank borrowings of the Group amounted to RMB50.0 million (as of December 31, 2014: nil), all due within one year.

4.4.2 Contingent Liabilities

As of December 31, 2015, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

4.4.3 Asset Pledge

As of December 31, 2015, none of the Group's assets had been pledged.

4.4.4 Contractual Obligations

The contractual obligation of the Group primarily consists of operating lease arrangements. As of December 31, 2015, the future aggregate minimum lease payments under non-cancellable lease agreements were RMB209.0 million.

4.4.5 Financial Instruments

Financial instruments of the Group consist of trade receivables, amounts due from related parties, other receivables, term deposits, cash and cash equivalents, bank borrowings, trade and other payables. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4.4.6 Exposure to Fluctuation in Exchange Rates

The Group deposits certain of its financial assets in foreign currency, and is mainly exposed to the fluctuation in exchange rates of Hong Kong dollars against RMB. The Group therefore is exposed to foreign exchange risk.

The Group has not used any derivatives financial instruments to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should such need arise.

4.4.7 Gearing Ratio

As of December 31, 2015, the Group's gearing ratio (total interest-bearing liabilities divided by total assets) was 11.8% (2014: nil).

5 SIGNIFICANT EVENTS

5.1 Issue of H Shares and Listing

The Company's H shares (the "**H Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 20, 2015 (the "**Listing Date**"). As of December 31, 2015, the Company's net proceeds from the initial public offering amounted to approximately HK\$693.2 million (equivalent to approximately RMB580.7 million) after deducting underwriting commissions and all related expenses. As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

5.2 Dividend

The final dividend distribution plan for the year ended December 31, 2015 (the "**Proposed Final Dividend**") was approved at the ninth meeting of the First Session of the Board. Subject to the approval of the Proposed Final Dividend by the Shareholders at the annual general meeting of the Company for the year 2015 (the "**AGM**") to be held on June 14, 2016, the Proposed Final Dividend will be distributed on or about July 14, 2016 to the Shareholders whose names appear on the register of members of the Company on June 24, 2016 (the "**Record Date**").

The register of members of the Company will be closed from May 15, 2016 to June 14, 2016, both days inclusive, during which period no transfer of the Shares will be effected. In order to determine the identity of the Shareholders

who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Ltd. ("**Computershare**") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 13, 2016.

The amount of final dividend distribution shall be calculated based on the total number of shares of the Company (the "**Shares**") in issue as of December 31, 2015 and the final cash dividend distribution shall be based on RMB0.25 per Share (inclusive of applicable tax). In order to qualify for the Proposed Final Dividend, the holders of H Shares must lodge all share certificates accompanied by the transfer documents with Computershare (address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. on June 17, 2016. For the purpose of ascertaining Shareholders who qualify for the Proposed Final Dividend, the register of members for H Shares will be closed from June 19, 2016 to June 24, 2016 (both days inclusive).

The Proposed Final Dividend will be denominated and declared in RMB. The holders of domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the Proposed Final Dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the Proposed Final Dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on January 1, 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

5.3 Purchase, Sale and Redemption of Listed Securities

During the period from the Listing Date to December 31, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

5.4 Review of Annual Results

The Company's audit committee has reviewed the Group's annual results for the financial year ended December 31, 2015 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Company's audit committee consists of two independent non-executive directors of the Company, Mr. HUANG Zhi (the chairman of the audit committee) and Mr. WONG Raymond Fook Lam, and one non-executive director of the Company, Ms. HE Xin. Among them, Mr. HUANG Zhi has the appropriate professional qualifications (a certified public accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會)).

6 COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company complied with all code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from the Listing Date to December 31, 2015, save for the deviation from code provision A.2.7 which was primarily due to the short period of time from the Listing Date to December 31, 2015. Code provision A.2.7 requires that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company has committed to making necessary arrangements to comply with all the code provisions. The Company will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the Corporate Governance Code.

7 FINANCIAL REPORT

7.1 Scope of work of PricewaterhouseCoopers

The figures in this announcement of the Group’s results for the year ended December 31, 2015 have been agreed by the Company’s external auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended December 31, 2015. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

7.2 Accounting policies

Compared to the last audited financial statements of the Group, there are no significant changes to accounting policies.

7.3 Financial Statements

7.3.1 Consolidated Statement of Comprehensive Income

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Revenue	343,674	296,296
Cost of revenue	(213,289)	(181,313)
Gross profit	130,385	114,983
Other income	3,074	689
Other losses	(144)	(151)
Selling expenses	(1,970)	(2,092)
Administrative expenses	(62,520)	(45,611)
Operating profit	68,825	67,818
Finance income	11,625	749
Finance expenses	(4,002)	–
Finance income – net	7,623	749
Share of loss of investments accounted for using the equity method	(6,278)	–
Profit before income tax	70,170	68,567
Income tax expense	(18,548)	(17,369)
Net profit	51,622	51,198
Other comprehensive income	–	–
Total comprehensive income	51,622	51,198
Attributable to:		
Equity holders of the Company	55,709	51,198
Non-controlling interests	(4,087)	–
Earnings per share		
Basic and diluted (<i>in RMB</i>)	1.03	1.02

7.3.2 Consolidated Balance Sheets

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	233,200	160,799
Land use rights	20,738	21,210
Intangible assets	90,581	1,229
Investment in an associate	8,422	–
Deferred income tax assets	10,071	4,641
Deposits and prepayments	48,324	13,904
Total non-current assets	411,336	201,783
Current assets		
Inventories	7,506	7,911
Trade receivables	123,067	84,532
Other receivables, deposits and prepayments	42,690	27,340
Amounts due from related parties	20,044	13,502
Term deposits	251,334	–
Cash and cash equivalents	368,457	37,271
Total current assets	813,098	170,556
Total assets	1,224,434	372,339
EQUITY		
Equity attributable to owners of the Company		
Share capital	73,040	50,000
Capital reserve	797,510	159,153
Surplus reserve	11,342	5,708
Retained earnings	77,824	46,229
	959,716	261,090
Non-controlling interests	2,513	–
Total equity	962,229	261,090

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Deferred government grants	14,284	14,156
Long-term payables	98,821	12,688
Total non-current liabilities	113,105	26,844
Current liabilities		
Trade payables	19,976	23,829
Accruals and other payables	63,209	47,340
Current income tax liabilities	11,559	13,236
Bank borrowings	50,000	–
Current portion of long-term payables	4,356	–
Total current liabilities	149,100	84,405
Total liabilities	262,205	111,249
Total equity and liabilities	1,224,434	372,339

7.4 Notes to the Financial Statements

7.4.1 General Information

The Company was established as a joint stock cooperative enterprise under the name of Wenzhou Kangning Mental Convalescent Hospital (溫州市康寧精神康復醫院) in the PRC on February 7, 1996. The address of the Company's registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

On October 15, 2014, the Company was converted into a joint stock limited company and renamed as Wenzhou Kangning Hospital Co., Ltd. (溫州康寧醫院股份有限公司).

The Group is engaged in operating psychiatric hospitals in the PRC.

The Company had its primary listing on the Stock Exchange on November 20, 2015.

The consolidated financial statements are presented in RMB and rounded to the nearest thousand yuan, unless otherwise stated.

7.4.2 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with the IFRSs. The consolidated financial statements have been prepared under the historical cost convention.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans.

Amendments from annual improvements to IFRSs – 2010-2012 Cycle, on IFRS 8, ‘Operating segments’, IAS 16, ‘Property, plant and equipment’, IAS 38, ‘Intangible assets’ and IAS 24, ‘Related party disclosures’.

Amendments from annual improvements to IFRSs – 2011-2013 Cycle, on IFRS 3, ‘Business combinations’, IFRS 13, ‘Fair value measurement’.

Amendment to IAS 27 ‘Equity method in separate financial statements’.

The directors of the Company noted that the adoption of the new and revised IFRSs had no material impact on the Group’s operating results and financial position.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into effect during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, 'Financial instruments'

IFRS 15, 'Revenue from contracts with customers'

IFRS 16, 'Leases'

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

7.4.3 Trade Receivables

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Trade receivables	130,738	89,537
Less: provision for impairment of trade receivables	<u>(7,671)</u>	<u>(5,005)</u>
Trade receivables – net	<u>123,067</u>	<u>84,532</u>

The carrying amounts of the Group's trade receivables are denominated in RMB, and approximate to their fair values.

As of December 31, 2014 and 2015, the aging analysis of the trade receivables was as follows:

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Aging analysis based on the billing date:		
Bills not presented	9,580	9,927
1-3 months	74,718	45,694
4-6 months	19,635	13,082
7-12 months	19,937	14,635
1-2 years	5,075	4,574
2-3 years	1,426	1,544
Over 3 years	367	81
	130,738	89,537

According to the Group's terms of business, all bills are payable upon presentation.

As of December 31, 2014 and 2015, the Group's trade receivables past due but not impaired were RMB73,442,000 and RMB113,297,000, respectively. These are mainly related to the amounts to be claimed from local social insurance bureau and similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by government medical insurance schemes.

The management considers that based on past payment history those amounts can be recovered in reasonable time. The aging analysis of these trade receivables was as follows:

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Less than 1 year	110,355	71,136
1-2 years	2,800	2,269
2-3 years	142	3
Over 3 years	—	34
	113,297	73,442

As of December 31, 2014 and 2015, trade receivables of RMB6,168,000 and RMB7,861,000 were impaired, respectively. The amounts of the provision were RMB5,005,000 and RMB7,671,000 as of December 31, 2014 and 2015, respectively. The aging of these trade receivables is as follows:

	As of December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	3,935	2,275
1-2 years	2,275	2,305
2-3 years	1,284	1,541
Over 3 years	367	47
	<u>7,861</u>	<u>6,168</u>

Movements of the Group's provision for impairment of trade receivables are as follows:

	As of December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
At January 1,	5,005	3,699
Provision for receivables	4,907	2,957
Receivables written off as uncollectible	(2,241)	(1,304)
Write-back upon recovered	–	(347)
	<u>7,671</u>	<u>5,005</u>
At December 31,	<u>7,671</u>	<u>5,005</u>

The provision for receivables impairment has been included in “administrative expenses” in the consolidated statements of comprehensive income. Amounts are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as of the year-end is the carrying amount of trade receivables. The Group does not hold any collateral as security.

7.4.4 Other Receivables, Deposits and Prepayments

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Other receivables ^(a)	14,337	1,408
Deposits ^(b)	17,268	16,823
Amount due by a third party ^(c)	12,304	–
Prepayments for rental	30,007	16,686
Prepayments for purchase of property ^(d)	13,000	–
Prepayments for construction in progress	2,594	1,216
Prepayments for goods and services	2,539	1,511
Prepayments for IPO expenses	–	3,477
Others	43	123
Less: provision for impairment of other receivables	(1,078)	–
Total	<u>91,014</u>	<u>41,244</u>
Current	42,690	27,340
Non-Current	<u>48,324</u>	<u>13,904</u>
Total	<u>91,014</u>	<u>41,244</u>

The carrying amounts of the Group's other receivables, deposits and prepayments are denominated in RMB and approximate to their fair values.

^(a) Included in other receivables as of December 31, 2015 was an advance payment amounting to RMB9,210,000 to Yanjiao Furen Hospital. Such advances will be repaid to the Group by Yanjiao Furen Hospital when and as its cash flow allows as agreed by both parties.

^(b) Included in deposits as of December 31, 2014 and 2015 was a deposit of RMB12,688,000 to the contractor of the new hospital construction work as the guarantee for fulfillment of obligation of the Group under the construction contract. The deposit will be repaid to the Group after the construction is completed and all Group's obligation has been discharged.

^(c) The Company entered into an agreement with Sichuan Hongji Pharmaceutical Company Limited (“**Sichuan Hongji**”, an independent third party) in March 2015 and planned to develop certain business with Sichuan Hongji. The Company placed a deposit of RMB12,000,000 to Sichuan Hongji as future capital contribution. Subsequently, the agreement was cancelled and a supplemental agreement was entered into by Sichuan Hongji, Chengdu Jihong Hospital Company Limited (“**Chengdu Jihong**”, a wholly-owned subsidiary

of Sichuan Hongji) and the Company on June 29, 2015. Pursuant to the supplemental agreement, the three parties agreed to abandon the business plan and the deposit should be repaid by Chengdu Jihong to the Group within 12 months commencing from June 29, 2015, bearing an interest rate of 5% per annum. The amount is guaranteed by the shareholders of Sichuan Hongji.

On July 28, 2015, Chendu Jihong changed its name to Chengdu Renyi Hospital Company Limited.

- (d) The Company entered into an agreement with Pingyang Mintian Specialized Food Cooperatives (“**Pingyang Mintian**”, an independent third party) in October 2015 to purchase a property from Pingyang Mintian. The total consideration of the property is RMB18,000,000. As of December 31, 2015, RMB13,000,000 was paid to Pingyang Mintian.

7.4.5 *Accruals and Other Payables*

	As of December 31,	
	2015	2014
	RMB’000	RMB’000
Accrued employee benefits	18,637	17,939
Receipts in advance	3,194	3,416
Rental payables	3,004	3,362
Guarantee deposit received from construction contractor ^(a)	12,688	12,688
Other payables for property, plant and equipment	20,831	19,916
Other taxes payable	412	641
Advance received from a non-controlling shareholder ^(b)	3,110	1,500
Long-term payables for contractual rights to provide management services	90,489	—
Accrued listing expenses	11,606	—
Others	2,415	566
Total	166,386	60,028
Current	63,209	47,340
Current portion of long-term payables for contractual rights to provide management services	4,356	—
Non-current	98,821	12,688
Total	166,386	60,028

The carrying amounts of accruals and other payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

- (a) The amount was provided by the contractor of the new hospital construction work to the Group. The amount will be repaid to the contractor after it discharges all its obligations under the contract, including but not limited to full settlement of construction workers' wages and salaries.
- (b) It represented advance received from a non-controlling shareholder of one of the Group's subsidiaries.

7.4.6 Revenue

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Treatments and general healthcare services	240,103	206,790
Pharmaceutical sales	87,740	77,384
Ancillary hospital services	2,270	1,828
Management service fee	13,561	10,294
	<u>343,674</u>	<u>296,296</u>

7.4.7 Expenses by Nature

	Year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	99,988	82,750
Pharmaceutical and consumables used	86,483	75,419
Depreciation and amortization	21,706	15,067
Operating lease rental expenses	8,563	10,055
Operating lease rental expenses prepaid for pipeline healthcare facilities	7,388	6,612
Canteen expenses	11,280	8,404
Utilities expenses	5,820	5,381
Examination and testing fees	3,388	3,900
Provision for impairment of trade receivables	4,907	2,610
Provision for impairment of other receivables	1,078	–
Travelling expenses	2,481	3,086
Promotion and marketing	1,970	2,092
Donation to charities	1,814	1,834
Compensation paid to patients	345	1,147
Listing expenses	5,177	–
Auditor's remuneration		
– Audit services	1,532	315
– Non-audit services	–	–
Others	13,859	10,344
	277,779	229,016

7.4.8 *Income Tax Expense*

The income tax expense of the Group for the years ended December 31, 2014 and 2015 is analyzed as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	23,978	19,054
Deferred income tax	(5,430)	(1,685)
	18,548	17,369

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the PRC, the principal place of the Group's operations, as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	70,170	68,567
Calculated at the tax rate of 25%	17,543	17,142
Expenses not tax deductible	2,507	227
Income not subject to tax	(167)	–
Over-provision of prior years	(1,335)	–
	18,548	17,369

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof, unless preferential tax rates were applicable.

7.4.9 *Earnings per Share*

Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB51,198,000 and RMB55,709,000 for the years ended December 31, 2014 and 2015, respectively, and the weighted average number of ordinary shares in issue as of the end of each reporting period, calculated as follows:

Weighted average number of ordinary shares

	Year ended December 31,	
	2015	2014
	<i>No. of shares</i>	<i>No. of shares</i>
Ordinary shares issued at beginning of the period	50,000,000	50,000,000
Effect of issuance of shares	4,253,370	—
	<hr/>	<hr/>
Weighted average number of ordinary shares at the end of year	<u>54,253,370</u>	<u>50,000,000</u>

The Company was converted into a joint stock limited company on October 15, 2014. The calculation of earnings per Share for the year ended December 31, 2014 is based on 50,000,000 ordinary Shares in issue upon the conversion as if those Shares were outstanding from the beginning of the year. The calculation of earnings per Share for the year ended December 31, 2015 is based on 54,253,370 ordinary Shares.

Diluted earnings per Share

The Company did not have any potential dilutive Shares throughout the year. Accordingly, diluted earnings per Share are the same as the basic earnings per Share.

7.4.10 *Final Dividends*

On May 11, 2015, the Board declared a final dividend of RMB18,480,000 for the year ended December 31, 2014. The proposed dividend was approved by the Shareholder's meeting on June 1, 2015 and the Company paid out the dividend on July 23, 2015.

On March 24, 2016, the Board declared a final dividend of RMB18,260,000 for the year ended December 31, 2015 which is calculated based on 73,040,000 issued Shares as of December 31, 2015. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements as of December 31, 2015, and will be reflected as an appropriation of retained earnings for the year ending December 31, 2016.

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Proposed final dividend of RMB0.25		
(2014: RMB0.35) per ordinary Share	18,260	18,480

7.4.11 *Commitments*

Capital commitments

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Contracted but not provided for		
– construction building	36,635	86,130
– leasehold improvements	60,529	1,784
– property, plant and equipment	10,935	794
	108,099	88,708

Operating lease commitments

The Group leases certain office buildings and hospitals under non-cancellable operating lease agreements.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Not later than 1 year	28,593	26,654
Later than 1 year and not later than 5 years	74,546	80,867
Later than 5 years	105,831	129,116
	208,970	236,637

Investment in subsidiaries

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Not later than 1 year	43,000	8,600
Later than 1 year and not later than 5 years	15,600	2,400
	58,600	11,000

7.4.12 Principal Subsidiaries

The following is a list of the principal subsidiaries of the Company as of December 31, 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	–
Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	–
Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	–
Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	–
Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB16,600,000	–	52%	48%
Wenzhou Kangning Judicial Forensic Center (溫州康寧司法鑒定所)	The PRC, Sole proprietorship enterprise	Forensic psychiatric identification in PRC	Paid-in capital of RMB500,000	100%	100%	–
Linhai Kangning Hospital Co., Ltd. (臨海康寧醫院有限公司)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB2,000,000	80%	80%	20%
Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司) ^(a)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB10,000,000	100%	100%	–
Pingyang Kangning Hospital Co., Ltd. (平陽康寧醫院有限公司) ^(b)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB6,000,000	100%	100%	–
Shenzhen Yining Medical Investment Co., Ltd. (深圳怡寧醫療投資有限公司) ^(c)	The PRC, Limited liability company	Investment holdings in PRC	Nil	100%	100%	–
Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司) ^(d)	The PRC, Limited liability company	Psychiatric hospital in PRC	Nil	60%	60%	40%
Hangzhou Honglan Information Technology Co., Ltd. (杭州宏瀾信息科技有限公司) ^(e)	The PRC, Limited liability company	Online medical consulting in PRC	Nil	100%	100%	–
Langfang Yining Hospital Management Co., Ltd. (廊坊市怡寧醫院管理有限公司) ^(f)	The PRC, Limited liability company	Hospital management consulting in PRC	Nil	100%	100%	–

All the subsidiaries are established in the PRC as limited liability companies except Wenzhou Kangning Judicial Forensic Center, which is a sole proprietorship enterprise.

- (a) Wenzhou Yining Geriatric Hospital Co., Ltd. was established on November 2, 2015 with a registered capital of RMB10,000,000. Its paid-in capital was RMB10,000,000 as of December 31, 2015.
- (b) Pingyang Kangning Hospital Co., Ltd. was established on November 2, 2015 with a registered capital of RMB6,000,000. Its paid-in capital was RMB6,000,000 as of December 31, 2015.
- (c) Shenzhen Yining Medical Investment Co., Ltd. was established on September 23, 2015 with a registered capital of RMB10,000,000. Its paid-in capital was nil as of December 31, 2015.
- (d) Quzhou Yining Hospital Co., Ltd. was established on November 20, 2015 with a registered capital of RMB30,000,000. Its paid-in capital was nil as of December 31, 2015.
- (e) Hangzhou Honglan Information Technology Co., Ltd was established on November 20, 2015 with a registered capital of RMB5,000,000. Its paid-in capital was nil as of December 31, 2015.
- (f) Langfang Yining Hospital Management Co., Ltd was established on December 2, 2015 with a registered capital of RMB10,000,000. Its paid-in capital was nil as of December 31, 2015.

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

Zhejiang, the PRC
March 29, 2016

As of the date of this announcement, the Company's executive directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the non-executive directors are Mr. YANG Yang and Ms. HE Xin; and the independent non-executive directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. WONG Raymond Fook Lam.