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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)

DISCLOSEABLE TRANSACTION – SUBSCRIPTION TO INVESTMENT FUND

STRATEGIC COOPERATION AGREEMENT

The Board is pleased to announce that, on February 22, 2016, the Company entered into the Partnership Agreement with Jinpu Jianfu, Yincheng Assets Management, Chongqing Industry Fund, Shinva, Shagang Group and USUM in relation to the establishment of the Investment Fund and the Company's contribution of RMB50 million for the Subscription to Investment Fund. On the same date, the Company and Jinpu Jianfu, the Managing Partner, entered into the Strategic Cooperation Agreement.

As of the date of this announcement, one of the applicable percentage ratios under Chapter 14 of the Listing Rules regarding the Subscription to Investment Fund exceeds 5% but is lower than 25%. The Subscription to Investment Fund therefore constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Strategic Cooperation Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

BACKGROUND

On February 22, 2016, the Company entered into the Partnership Agreement with Jinpu Jianfu, Yincheng Assets Management, Chongqing Industry Fund, Shinva, Shagang Group and USUM in relation to the establishment of the Investment Fund and the Company's contribution of RMB50 million for the Subscription to Investment Fund.

On the same date, the Company and Jinpu Jianfu, the Managing Partner, entered into the Strategic Cooperation Agreement in relation to, among others, certain rights of the Company as a Limited Partner of the Investment Fund.

PARTNERSHIP AGREEMENT

Date:	February 22, 2016
Parties:	<ul style="list-style-type: none">(i) Jinpu Jianfu (as a General Partner, or "GP")(ii) Yincheng Assets Management (as a General Partner, or "GP")(iii) Chongqing Industry Fund (as a Limited Partner, or "LP")(iv) Shinva (as a Limited Partner, or "LP")(v) Shagang Group (as a Limited Partner, or "LP")(vi) USUM (as a Limited Partner, or "LP")(vii) the Company (as a Limited Partner, or "LP")
Term of the partnership:	Seven years from the date of issuing the business license for the Investment Fund
Committed capital contributions:	The total contribution for the subscription to the Investment Fund amounts to RMB1 billion, of which Jinpu Jianfu, Yincheng Assets Management, Chongqing Industry Fund, Shinva, Shagang Group, USUM and the Company will contribute RMB50,000, RMB10 million, RMB200 million, RMB50 million, RMB200 million, RMB250 million and RMB50 million, respectively.

The aggregate committed capital contribution by the above partners is RMB760.05 million. The balance will be raised by the Managing Partner from other parties (excluding the Company) within half a year upon the establishment of the Investment Fund. The Company's contribution for the Subscription to Investment Fund is limited to RMB50 million.

The size of the Investment Fund and the respective committed capital contribution of each partner are determined after arm's length negotiations by reference to the projected working capital requirements of the Investment Fund.

Payment of the capital contributions:

All Limited Partners shall make contributions in a lump sum within 20 working days upon receipt of the payment notice from the Managing Partner.

The Company will make the capital contribution with the proceeds from its initial public offering.

Annual management fee:

The management fee of the Investment Fund shall be borne by the Investment Fund. During the "investment period of the fund", the annual management fee will be charged at 2% of the then total committed capital contribution of the Investment Fund; and in the "pay-back period of the fund", the annual management fee will be 1.8% of the then total committed capital contribution of the Investment Fund.

The "investment period of the fund" refers to the period from the first year to the third year commencing from the date that is three months after the registration of the Investment Fund (or the date of full payment of contribution to the Investment Fund provided that all partners have paid up, within 3 months after such registration, the total investment amounts subscribed by them as stated on the application for the registration of the Investment Fund) and is subject to extensions of no more than 2 years in aggregate with the consent of all partners; the "pay-back period of the fund" refers to the 2 years after the "investment period of the fund" and is subject to extensions of no more than 2 years in aggregate with the consent of all partners.

No management fee will be charged during the extended investment period or the extended pay-back period of the Investment Fund.

Management and operation of the Investment Fund:	Jinpu Jianfu shall have the management authority over the operation, investment decision, implementation of investment business and other matters of the Investment Fund. The General Partners shall bear unlimited joint liability for the liabilities of the Investment Fund. The Limited Partners do not participate in the operation of the Investment Fund and their liability for the liabilities of the Investment Fund shall be limited to their respective committed amounts of capital contributions.
Objectives and methods of investment:	The Investment Fund shall invest in healthcare and other modern services industries. In principle, the investment in the healthcare service industry shall not be less than 80% of the total amount available for investment of the Investment Fund.
Distribution of return:	The distribution principle for the distributable capital of the Investment Fund is “recovery of principal before profit distribution, and LP before GP”. The rate of return shall be calculated with simple interest. The return of each installment of capital shall be calculated from the time of full payment of such installment. Upon reaching the rate of return under the Partnership Agreement and deducting all the priority payments under the Partnership Agreement, the balance shall be distributed to GPs and LPs at the ratio of 2:8.

STRATEGIC COOPERATION AGREEMENT

The Company has entered into the Strategic Cooperation Agreement with Jinpu Jianfu under which, Jinpu Jianfu, the Managing Partner, is required to ensure, among others, (i) that the investment in psychiatric hospitals by the Investment Fund and its related investors shall not be less than RMB150 million, and (ii) that in the event that the Investment Fund decides to withdraw its investment in psychiatric hospitals and transfer such interest to a third party, the Company is entitled to the pre-emptive right to acquire such interest under the same terms offered to that third party.

INVESTMENT AND FINANCIAL INFORMATION OF THE INVESTMENT FUND

As the Investment Fund is not yet established as of the date of this announcement, it does not have any investments, assets or liabilities, and has not recorded any income or expenses.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION TO INVESTMENT FUND AND THE ENTERING INTO OF THE STRATEGIC COOPERATION AGREEMENT

Through the Subscription to Investment Fund, the Company can take advantage of the investment experience and risk control system of the Investment Fund team. The cultivation of a project in its earlier stage by the Investment Fund can effectively reduce or eliminate, in advance, the Company's pre-investment decision-making and financial risks.

Through entering into the Strategic Cooperation Agreement, the Company may guide the Investment Fund to invest more in psychiatric hospitals, with a view to reserving more merger and acquisition targets for the Company's future development.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, one of the applicable percentage ratios under Chapter 14 of the Listing Rules regarding the Subscription to Investment Fund exceeds 5% but is lower than 25%. The Subscription to Investment Fund therefore constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Strategic Cooperation Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

Jinpu Jianfu

Jinpu Jianfu is a limited liability company established in the PRC and is mainly engaged in equity investment management, assets management and enterprise management consulting.

Yincheng Assets Management

Yincheng Assets Management is a limited partnership established in the PRC and is mainly engaged in assets management and investment management.

Chongqing Industry Fund

Chongqing Industry Fund is a wholly state-owned limited liability company established in the PRC and is mainly engaged in equity investment, investment and financing management and relevant consulting services.

Shinva

Shinva is a joint stock limited company established in the PRC and is mainly engaged in production and sales of medical equipment and devices.

Shagang Group

Shagang Group is a limited liability company established in the PRC and is mainly engaged in production and sales of iron and steel and their related products.

USUM

USUM is a foreign-invested joint stock limited company established in the PRC and is mainly engaged in investment and construction-related businesses.

The Group

The Group is the largest private psychiatric healthcare group in the PRC and operates and manages a network of healthcare facilities across various regions in China that primarily focus on providing psychiatric specialty care.

To the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, the parties to the Partnership Agreement and the Strategic Cooperation Agreement (other than the Company) and their respective ultimate beneficial owners are not connected persons of the Company, but are third parties independent of the Company and its connected persons. The terms of the Partnership Agreement and the Strategic Cooperation Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

“Board”	the board of directors of the Company
“Chongqing Industry Fund”	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)

“Company”	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 PRC with limited liability, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2120)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Partner(s)” or “GP”	the general partners of the Investment Fund, being Jinpu Jianfu and Yincheng Assets Management
“Investment Fund”	Chongqing Jinpu Healthcare Services Industrial Investment Fund L.P. (重慶金浦醫療健康服務產業投資基金合夥企業(有限合夥)), which has not been established as of the date of this announcement and whose final name is subject to the name registered with the administration of industry and commerce
“Jinpu Jianfu”	Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司)
“Limited Partner(s)” or “LP”	the limited partners of the Investment Fund, being Chongqing Industry Fund, Shinva, Shagang Group, USUM and the Company
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Managing Partner”	the managing partner of the Investment Fund, being Jinpu Jianfu
“Partnership Agreement”	the partnership agreement in relation to the establishment of and the subscription to the Investment Fund entered into by the Company, Jinpu Jianfu, Yincheng Assets Management, Chongqing Industry Fund, Shinva, Shagang Group and USUM on February 22, 2016
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shagang Group”	Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司)
“Shinva”	Shinva Medical Instrument Co., Ltd. (山東新華醫療器械股份有限公司)
“Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and Jinpu Jianfu on February 22, 2016 in relation to, among others, certain rights of the Company as a Limited Partner of the Investment Fund
“Subscription to Investment Fund”	the subscription to the shareholding interest in the Investment Fund by the Company under the Partnership Agreement
“USUM”	USUM Investment Group Co., Ltd. (渝商投資集團股份有限公司)
“Yincheng Assets Management”	Shanghai Yincheng Assets Management Center L.P. (上海銀騁資產管理中心(有限合夥))

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

Zhejiang, the PRC
February 23, 2016

As of the date of this announcement, the 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.