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康宁

**Wenzhou Kangning Hospital Co., Ltd.**

**温州康宁医院股份有限公司**

*(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** **our**) for the financial year ended December 31, 2015 (the **Reporting Period**) which are a fair reflection of 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

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

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

### 3 BUSINESS REVIEW AND OUTLOOK

#### 3.1 Business Review

In 2015, the Group continued to enhance the operational capabilities through the acquisition of facilities and the expansion of the hospital and medical services. In 2015, the five hospitals owned by the Group opened 1,760 beds in 2014 and 2,010 in 2015, and high quality services, which were available to the Group.

While continuing to expand the hospital business, the Group also made strategic investments in the healthcare industry. In 2015, the Group acquired the 51% share of Yanjiao Furen Hospital (燕郊輔仁中西醫結合醫院, **Yanjiao Furen Hospital**), the joint venture of Chengde Renyi Hospital Co., Ltd. (成都仁一醫院有限公司, **Chengde Renyi Hospital Co., Ltd.**) and Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司, **Beijing Yining Hospital Co., Ltd.**), which was established in the People's Republic of China (the PRC, **China**) on July 29, 2010 and changed to Chengde Jihong Hospital Co., Ltd. (成都濟宏醫院有限公司, **Chengde Jihong Hospital Co., Ltd.**) on July 28, 2015) and Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司, **Beijing Yining Hospital Co., Ltd.**), increasing the number of medical facilities and the number of beds from 150 in 2014 to 370 in 2015 and the number of doctors from 150 in 2014 to 181 in 2015.

The Group has always believed that the Group's core business is the healthcare industry. In 2015, the Group's specialized healthcare services, which were recognized by 12, 25 and 5 of the Science Citation Database, and listed in the National Natural Science Foundation of China. A number of the healthcare services, which were the Group's core business, were recognized by 150 in the beginning of 2015 and 181 in the end of 2015, which demonstrated the effectiveness of the Group's business.

#### 3.2 Business Highlights

On January 22, 2016, the Group acquired (i) a 51% share of Wenzhou Medical University (溫州醫科大學) and the 51% share of Wenzhou Medical University School of Mental Medicine (溫州醫科大學精神醫學學院); and (ii) a 51% share of Wenzhou Medical University Asset Management Co., Ltd. (溫州醫科大學資產經營有限公司) and Wenzhou Guoda Information Technology Co., Ltd. (溫州國大信息科技有限公司) and the Group acquired 51% of the equity of Wenzhou Guoda Investment Co., Ltd. (溫州國大投資有限公

\* For identification purposes only

司) b he C . a f We h Medical U i e i A e Ma age e C . a Li i ed h gh. blic bidd g, bjec he e e g h f ele a f al age e e ( ). F de ail , lea e efe he C . a ' a a i ce e da ed Ja a 22, 2016. The P chia Sch l f We h Medical U i e i e abli hed i Ma ch 20, 2016. A f he da e f hi a a i ce e , he C . a ha i ac i ed a e i e e e We h G da h e e C . a .

O Ja a 28, 2016, he C . a e e ed i a fa e k ag ee e h M . HUANG Fe g a d M . HUANG Che (c llec i el , he **Vendors** ) i elai i (i) he . . ed e abli h e fa a ge c . a (he **Target Company** ) b he Ved ; (ii) he . . ed . i i f a age e a d c i l a c e ice b he Ta ge C . a P jia g H a g f e g P chia S ecial H . i al\* (浦江黃鋒精神專科醫院) a d Ch i ' a H a g f e g Ka g ' e H . i al\* (淳安黃鋒康恩醫院); a d (iii) he . . ed ac i i i f 26% e i e e a d b e e ca ial i ce a e h he Ta ge C . a b he C . a (he **Proposed Transaction** ). U i he c . lei i f he P . ed T a ac i , i i e . ec ed ha he C . a h ld 51% e i e e h he Ta ge C . a . F de ail , lea e efe he C . a ' a a i ce e da ed Ja a 28, 2016. The Ta ge C . a e abli hed i Feb a 5, 2016. A f he da e f hi a a i ce e , he C . a ha i e e ed i a a ge e e i elai i he P . ed T a ac i .

O Feb a 22, 2016, he C . a e e ed i a a i e hi age e e h Sha ghai J h Jia f E i h e e Ma age e C . , L d. (上海金浦健服股權投資管理有限公司, **Jinpu Jianfu** ), Sha ghai Y h ch e g A e Ma age e Ce e L.P. (上海銀驄資產管理中心 (有限合夥)), Ch i g i g h d G ida ce a d E i h e e F i d C . , L d. (重慶產業引導股權投資基金有限責任公司), Shi a Medical h e C . , L d. (山東新華醫療器械股份有限公司), Jia g Sha g a g G . C . , L d. (江蘇沙鋼集團有限公司) a d USUM h e e G . C . , L d. (渝商投資集團股份有限公司) i elai i (i) he e abli h e f Ch i g i g J h Heal ca e Se ice h d ial E i h e e F i d 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) ) (he **Investment Fund** ); a d (ii) he C . a ' c i b i i f RMB50.0 illi i f he b c i i h e h e e F i d. O he a e da e, he C . a a d J h Jia f , he a a g i g a e f he h e e F i d, e e ed i a a egic c . e a i a ge e e i elai i , a i g he , ce a h i g h f he C . a a ali i ed a a e f he h e e F i d. F de ail , lea e efe he C . a ' a a i ce e da ed Feb a 23, 2016. The h e e F i d e abli hed i he PRC i Ma ch 22, 2016. A f he da e f hi a a i ce e , ch c i b i i ha i b e e a de a d he C . a e . ec a ke ch c i b i i i 2016.

\* For identification purposes only

### 3.3 Business Outlook

Likewise, the Company will leverage the favorable growth policies in China which encourage the public and private medical facilities and advanced healthcare facilities to work together to build a modern medical system in 2016. In addition, 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 established under the Liaoning Medical Area of the Republic of China on December 10, 2015 (the **Prospectus**) and the financial performance of the medical services of the geriatric, clinical geriatric, chronic, and surgical areas) will continue to expand in the first half of 2016. As a result, the total number of beds in the company's 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), accounting for the capacity of the first half of 2016.

Meanwhile, the company has launched the Entrepreneurial Program for 100 People (百人創業計劃), and will continue to focus on facing the market and expanding the company's advanced healthcare facilities to work for the growth and development in 2016. In addition, the Company will continue to adhere to the belief that the company's success is the result of the cooperation of Wenzhou Medical University in building the Peking University School of Wenzhou Medical University to enhance its capabilities in scientific research and development, and to expand the company's influence in the local market.

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Financial Review

#### 4.1.1 Revenue

The Group's revenue is derived from all hospital services: (i) the services of the geriatric hospital, and (ii) the services of the advanced healthcare facilities.

\* For identification purposes only



Cost of services rendered RMB206.3 million, an increase of 15.4%, which is due to the increase of the Group's financial services (2014: 37.5%).

*Management service fee income*

The Group's management service fee income is primarily derived from the health care facilities. The attributable financial services management service fee income is disclosed as follows:

	<b>For the year ended December 31,</b>	
	<b>2015</b>	2014
	<b>(RMB'000)</b>	(RMB'000)
Revenue	<b>13,561</b>	10,294
Cost of services	<b>7,006</b>	2,547
Group's financial services	<b>6,555</b>	7,747

Management service fee income of the Group amounted to RMB13.6 million, an 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 related to the newly established Beijing Yijiang Hospital in 2015 which amounted to RMB1.7 million (2014: nil).

Cost of the Group's management service income is primarily included in the administrative and management expenses and administrative expenses of the financial services.

Cost of services management service income RMB7.0 million, an increase of 175.1%, mainly due to the increase of the fee, mainly because in April 2015, the Group acquired management of Yajia Family Hospital. The Group acquired 19 shares and 9% of the financial services of this hospital and received RMB93.1 million of the payable. RMB3.5 million was accounted for the financial services in 2015 as compared to the management service. Accordingly, the Group's financial services decreased 48.3% (2014: 75.3%).

#### 4.1.2 Gross Profit and Gross Profit Margin

Total gross profit for 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 due to the ability to improve the gross profit of the hospital, the hospital's health care facilities and management level continued to improve. The Renji Hospital paid a fee to the hospital, which had a negative impact on the gross profit of the hospital and the overall business.

#### 4.1.3 Other Income

Other income for the Group consists of gains and losses from various assets. In 2015, the income amounted to RMB3.1 million, representing a year-on-year increase of 346.2%, mainly due to gains and losses from various assets.

#### 4.1.4 Selling Expenses

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

#### 4.1.5 Administrative Expenses

Administrative expenses for the Group mainly consist of depreciation, amortization, management fees, etc. of the hospital, which are necessary for the hospital's operation, and the hospital's administrative expenses.

In 2015, administrative expenses for the Group amounted to RMB62.5 million (2014: RMB45.6 million), representing a year-on-year increase of 37.1%, mainly due to: (i) an increase of RMB6.2 million in the depreciation of the hospital's assets (1) the increase in the management fees, each paid to the hospital and (2) the fee-based bid and bid fee of the hospital's assets; (ii) an increase of RMB3.2 million in the hospital's fee for the hospital's management; and (iii) an increase of RMB5.2 million in the hospital's fee for the hospital's management.

#### 4.1.6 Finance Income

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

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

In 2015, share of loss of investments accounted for using the equity method decreased RMB6.3 billion (2014: nil), which represents 49% of the loss of Beijing Young Holdings, which contributed to the share of loss. Since 2015 and decided to leave a loss of RMB12.8 billion.

#### 4.1.8 Income Tax Expense

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

#### 4.1.9 Net Profit

In 2015, attributable net profit of the Company (the **Shareholders**) decreased RMB55.7 billion, representing a year-on-year decrease of 8.8% as compared with 2014.

### 4.2 Financial Position

#### 4.2.1 Inventory

As of December 31, 2015, the ending balance decreased RMB7.5 billion (as of December 31, 2014: RMB7.9 billion), mainly due to the decrease in hardware.

#### 4.2.2 Trade Receivables

As of December 31, 2015, the balance of trade receivables decreased to RMB123.1 million (as of December 31, 2014: RMB84.5 million), mainly due to: (i) the decrease in the balance of trade receivables from the sale of medical equipment; and (ii) the decrease in the balance of trade receivables from the sale of medical equipment. As of December 31, 2015, 79.5% of trade receivables from the Group were aged within 90 days.

#### 4.2.3 Other Receivables, Deposits and Prepayments

As of December 31, 2015, the receivables, deposits and prepayments decreased to RMB91.0 million (as of December 31, 2014: RMB41.2 million), mainly due to: (i) the decrease of RMB25.8 million in the balance of deposits from the sale of Weisheng Yinyang Geiaic Hospital; (ii) the decrease of RMB13.0 million in the balance of prepayments from the purchase of Pingyang Kangning Hospital Co., Ltd.\* (平陽康寧醫院有限公司) (Pingyang Kangning Hospital), a full-bed subsidiary of the Company; and (iii) a decrease of RMB12.0 million in the balance of deposits from Chengde Reji Hospital Co., Ltd. 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% were aged within 90 days.

#### 4.2.5 Accruals and Other Payables

As of December 31, 2015, accruals and other payables decreased to RMB166.4 million (as of December 31, 2014: RMB60.0 million), mainly due to RMB90.5 million of flight payables for air tickets, which were the result of the purchase of Yajia Fei Hospital and the decrease of accrued expenses for the hospital, aggregated to the deduction of accrued expenses. Please refer to paragraph 4.3.4 below for details.

#### 4.2.6 Net Current Assets

As of December 31, 2015, net current assets of the Group increased to RMB664.0 million (as of December 31, 2014: RMB86.2 million), mainly due to the decrease in current assets of RMB590.7 million, which are the cash flow from the initial public offering, the decrease in current liabilities of RMB50.0 million, and the increase of RMB128.0 million from CITIC Bank, which is due to the sale of the equity.

\* For identification purposes only

### 4.3 Liquidity and Capital Resources

The table below sets forth a summary of the cash and cash equivalents held by the Company as of the end of each period indicated:

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

#### 4.3.1 Net Cash from Operating Activities

In 2015, net cash flow generated from operating activities amounted to RMB5.1 billion. We had net cash generated from operating activities before change in working capital of RMB87.0 billion, which is adjusted for decrease in prepaids, land use rights of RMB17.3 billion. Change in working capital led to net cash flow of RMB66.4 billion, which is adjusted for decrease of RMB58.2 billion in land use rights receivable as a result of: (i) decrease in land use rights receivable held by the company and change in health care facilities; and (ii) decrease of allowance for doubtful accounts. We had Ying Geiaic Holdings. We had net cash flow of RMB25.7 billion available for cash and cash equivalents.

#### 4.3.2 Net Cash Used in Investing Activities

In 2015, net cash used in investing activities amounted to RMB382.4 billion, which is due to: (i) change in land use rights of RMB113.6 billion, consisting of (1) acquisition and disposal of land use rights of Weihai Kangning Holdings and (2) acquisition of land use rights in Beijing Ying Ge Holdings, Lihai Kangning Holdings and Weihai Ying Geiaic Holdings; and (ii) acquisition of land use rights of RMB251.3 billion.

### 4.3.3 Net Cash from Financing Activities

In 2015, net cash from financing activities amounted to RMB708.8 million, mainly due to: (i) net proceeds from the initial public offering of RMB590.7 million; (ii) net proceeds of RMB78.4 million from issuance of short-term debt; and (iii) a loan of RMB50.0 million from China CITIC Bank.

### 4.3.4 Significant Investment, Acquisition and Disposal

The Group entered into a share purchase agreement with Yajia Financial in March 2015 and a lease agreement in April 2015. The effective term of the share purchase agreement is from April 2015 to December 2034, extendable if both parties agree to renew the term. During the term of the agreement, the Group will make a fixed share purchase of Yajia Financial and receive a fixed dividend of RMB2.7 million from the effective date of April 1, 2015 to December 31, 2015, increase to RMB4.0 million from 2016, and be entitled to receive a fixed dividend of RMB4.0 million from 2017 to 2034, which represents a total of RMB14.1 million. If Yajia Financial fails to change, the Group will receive the full amount. On the other hand, the Group will be liable to pay a fixed fee (based on the account of Yajia Financial which has been agreed by the parties) of RMB14.1 million from the effective date of the agreement to Yajia Financial. As a result, the Group is effectively obligated to pay Yajia Financial a fixed dividend of RMB14.1 million from the effective date of the agreement. The Group will receive a fixed fee of RMB93.1 million from the balance sheet date, and the total calculated benefit of the share purchase agreement is RMB107.2 million.

Since a dividend is payable, the Group had a significant increase in cash and equivalents during 2015.

On February 22, 2016, the Company entered into an agreement to contribute RMB50.0 million to the Health Care Fund, which shall be used to help the elderly and the disabled. In addition, the Health Care Fund's investment in the health care industry shall be at least 80% of the total available funds. Further, upon completion of the contribution, the Company advised on February 23, 2016. After the date of his acceptance, the contribution has been made and the Company expects to make the contribution in 2016.

#### 4.3.5 Capital Expenditure

Capital expenditure of the Group is mainly used for the following: (i) land, buildings, construction, decoration, medical equipment, furniture and office equipment and vehicles; (ii) land acquisition; and (iii) intangible assets. Capital expenditure of the Group in 2015 was RMB193.4 million, an increase of 163.1% from 2014, mainly due to the acquisition of the 19% share of Yajia Food Holdings Limited and 9% share of Yajia Food RMB93.1 million.

#### 4.3.6 Use of Proceeds from Initial Public Offering

The Board has decided the use of proceeds from the initial public offering. It has decided to use the proceeds and contributed to the special dividend. After December 31, 2015, the Group applied the proceeds of the IPO as follows:

RMB20.0 million for the acquisition of Weisheng Yijiang Geiaic Holdings; and

RMB20.0 million for contribution to the registered capital fund of Falan Pigeon Kang Hui, of which RMB13.0 million was used for the share purchase.

## 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 denominated in Renminbi.

### 4.4.2 Contingent Liabilities

As of December 31, 2015, the Group had no contingent liabilities. The Group has no or does not have any financial instruments that are classified as financial liabilities 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 obligations of the Group include lease agreements. As of December 31, 2015, the future aggregate lease liability is a non-cancelable lease agreement of approximately RMB209.0 million.

### 4.4.5 Financial Instruments

Financial instruments of the Group consist of trade receivables, accounts payable, other receivables, other payables, bank borrowings, and cash. The management manages and monitors the credit risk of the accounts receivable and other receivables and the default risk of the accounts payable and other payables.

#### 4.4.6 Exposure to Fluctuation in Exchange Rates

The Group derives its financial performance in Hong Kong, and is exposed to the fluctuation in exchange rate of Hong Kong dollar against RMB. The Group has entered into foreign exchange contracts.

The Group has entered into derivative financial instruments to hedge against its foreign exchange risk. The management manages the foreign exchange risk by using the foreign exchange contracts and will continue to hedge significant foreign exchange risk in the future.

#### 4.4.7 Gearing Ratio

As of December 31, 2015, the Group's gearing ratio (total debt-bearing liabilities divided by total assets) was 11.8% (2014: 11.5%).

### 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 the offering costs and all related expenses. As of the date of this financial statement, the Company does not anticipate any change in the net proceeds attributable to the IPO.

#### 5.2 Dividend

The final dividend distribution for the year ended December 31, 2015 (the **Proposed Final Dividend**) was approved at the meeting of the Board of Directors of the Company at the Annual General Meeting of the Shareholders of the Company held on June 14, 2016. The Proposed Final Dividend will be distributed on July 14, 2016. The Shareholders who are eligible for the payment of the Company's dividend on July 24, 2016 (the **Record Date**).

The eligible shareholders of the Company will be closed from May 15, 2016 to June 14, 2016, both dates inclusive, during which period the Shareholders will be effective to do the necessary procedures for the Shareholders to receive the dividend of the Company.

As announced at the AGM, all have a fee of 0.05  
accrued by the company has been confirmed by the  
Company's Share Registrar, Computershare Hong Kong  
Limited (Computershare) at Suite 1712-1716, 17/F, Hysan  
Centre, 183 Queen's Road East, Wanchai, Hong Kong  
at 4:30 p.m. on May 13, 2016.

The amount of final dividend payable shall be calculated based  
on the balance of the company's (the Shares) in issue as of  
December 31, 2015 and the final cash dividend payable shall be paid  
in RMB0.25 per Share (inclusive of tax). Under the  
proposed Final Dividend, the holders of H Shares will have  
received the dividend by the Company's Share Registrar  
(address: Suite 1712-1716, 17/F, Hysan Centre, 183 Queen's Road East,  
Wanchai, Hong Kong) before 4:30 p.m. on June 17, 2016. For the  
purpose of the Shareholders' proposed Final Dividend,  
the register of members of 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 of the proposed Final  
Dividend will be the Hong Kong dollar will be the exchange  
rate of Hong Kong dollars to RMB as announced by the People's Bank of  
China during the period of the date of the 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  
regulations which came into effect on January 1, 2008, the Company  
is entitled to withhold and deduct a tax of 10% on  
behalf of the shareholders of the Shares. The amount of  
the dividend payable to H Shares will be the cash dividend.  
As H Shares are registered in the Hong Kong Shareholders'  
Register of HKSCC Nominees Limited, the shares, agents,  
and the guarantors, shall be deemed as Shares held by  
the shareholders of the Shares. The effect, however, of the  
tax will be withheld from the dividend payable to the  
Shareholders. If the holders of H Shares and the Shareholders  
absolutely controlled the company are the same. The Company  
will include in the financial statements the effect of the  
tax on the Shareholders' behalf of the company. The  
effect of the tax will be the dividend payable to the  
Shareholders.

If the independent holder of H Shares are Hong Kong Macau residents, the independent holder of the company which had agreed to acquire 10% of the cash dividend of the company in the PRC, the independent holder, the Company shall hold and, as independent director on behalf of the independent Shareholder a share of 10%. Should the independent holder of H Shares be a resident of the company which had agreed to acquire the 10% of the PRC, the independent holder, the Company shall hold and, as independent director on behalf of the independent Shareholder a share of 10%. In the case, if the independent holder of H Shares is a resident of the PRC, the independent holder shall hold and, as independent director on behalf of the independent Shareholder a share of 10%. In the case, if the independent holder of H Shares is a resident of the PRC, the independent holder shall hold and, as independent director on behalf of the independent Shareholder a share of 10%. In the case, if the independent holder of H Shares is a resident of the PRC, the independent holder shall hold and, as independent director on behalf of the independent Shareholder a share of 10%. In the case, if the independent holder of H Shares is a resident of the PRC, the independent holder shall hold and, as independent director on behalf of the independent Shareholder a share of 10%.

**5.3 Purchase, Sale and Redemption of Listed Securities**

During the period of the Listing Date December 31, 2015, the Company has no financial derivatives, and the Company's listed securities.

**5.4 Review of Annual Results**

The Company's auditors have reviewed the Group's annual financial statements ended December 31, 2015 and have issued a public accounting report and opinion that the financial statements have been prepared in accordance with the applicable accounting standards.

The Company's auditors consist of PricewaterhouseCoopers, a member firm of the PwC network, M. HUANG Zhi (the chairman of the audit committee) and M. WONG Raymond Fok La, and PricewaterhouseCoopers, a member firm of the PwC network, M. HE Xian. All of them are certified public accountants (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**) effective under Article 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited during the period of the Listing Date to December 31, 2015, and the de-listing code provisions under A.2.7 which shall apply to the de-listing of the Listing Date to December 31, 2015. Code provisions under A.2.7 require the chairman to hold a least all holding of the shares of the company (including the shares of the company) in the company. The Company has complied with all the code provisions. The Company will continue to adhere to the code provisions of the Corporate Governance Code.

## 7 FINANCIAL REPORT

### 7.1 Scope of work of PricewaterhouseCoopers

The figures in this financial statement of the Group for the year ended December 31, 2015 have been agreed by the Company's external auditor, PricewaterhouseCoopers (PwC), the auditor of 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 Reviewing Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, as a result, has not been performed by PwC in this respect.

### 7.2 Accounting policies

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

## 7.3 Financial Statements

### 7.3.1 Consolidated Statement of Comprehensive Income

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

### 7.3.2 Consolidated Balance Sheets

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Prepaid expenses	<b>233,200</b>	160,799
Land	<b>20,738</b>	21,210
Intangible assets	<b>90,581</b>	1,229
Deferred tax assets	<b>8,422</b>	
Deferred income tax	<b>10,071</b>	4,641
Derivatives	<b>48,324</b>	13,904
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>411,336</b>	201,783
<b>Current assets</b>		
Inventory	<b>7,506</b>	7,911
Trade receivables	<b>123,067</b>	84,532
Other receivables, deposits and prepayments	<b>42,690</b>	27,340
Accounts payable	<b>20,044</b>	13,502
Term deposits	<b>251,334</b>	
Cash and cash equivalents	<b>368,457</b>	37,271
	<hr/>	<hr/>
<b>Total current assets</b>	<b>813,098</b>	170,556
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,224,434</b>	372,339
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>73,040</b>	50,000
Capital reserve	<b>797,510</b>	159,153
Surplus reserve	<b>11,342</b>	5,708
Retained earnings	<b>77,824</b>	46,229
	<hr/>	<hr/>
	<b>959,716</b>	261,090
Non-current liabilities	<b>2,513</b>	
	<hr/>	<hr/>
<b>Total equity</b>	<b>962,229</b>	261,090
	<hr/>	<hr/>

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred long-term debt	<b>14,284</b>	14,156
Long-term payable	<b>98,821</b>	12,688
<b>Total non-current liabilities</b>	<b>113,105</b>	26,844
<b>Current liabilities</b>		
Trade payable	<b>19,976</b>	23,829
Accounts payable	<b>63,209</b>	47,340
Contract liabilities	<b>11,559</b>	13,236
Bank borrowings	<b>50,000</b>	
Contract liabilities payable	<b>4,356</b>	
<b>Total current liabilities</b>	<b>149,100</b>	84,405
<b>Total liabilities</b>	<b>262,205</b>	111,249
<b>Total equity and liabilities</b>	<b>1,224,434</b>	372,339

## 7.4 Notes to the Financial Statements

### 7.4.1 General Information

The Company was established as a joint stock limited liability company in the People's Republic of China (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 Shengji Road, Hangzhou Residential District, Hangzhou, Zhejiang, the PRC.

On October 15, 2014, the Company completed a joint stock limited liability company transformation to Wenzhou Kangning Hospital Co., Ltd. (溫州康寧醫院股份有限公司).

The Company is engaged in the pharmaceutical industry in the PRC.

The Company had its initial listing on the Stock Exchange of New York on December 20, 2015.

The consolidated financial statements are prepared in RMB and presented in the Chinese language, unless otherwise stated.

## 7.4.2 Basis of Preparation

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

### (a) New and amended standards adopted by the Group

The following amendments have been adopted by the Group for the financial year beginning on 1 January 2015:

Amended IAS 19 'Contributions to defined benefit plans'.

Amendments to IFRS 2010-2012 Cycle, IFRS 8, 'Operating Segments', IAS 16, 'Property, Plant and Equipment', IAS 38, 'Intangible Assets' and IAS 24, 'Related Party Disclosures'.

Amendments to IFRS 2011-2013 Cycle, IFRS 3, 'Business Combinations', IFRS 13, 'Fair Value Measurement'.

Amended IAS 27 'Earnings per share financial statement'.

The directors of the Company have adopted the amended IFRS had a material impact on the Group's financial position.

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

In addition, the effect of Part 9 Accounting and Audit of the new Hong Kong Companies Ordinance (Cap. 622) came into effect during the financial year, as a result, the effect change on the financial statements of the Company is not material.

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

As at the reporting date, the Group has not yet adopted the amendments to IFRS 9, 'Financial Instruments', which became effective from January 1, 2015 and have been applied in the Group's consolidated financial statements. Nevertheless, the Group has a significant effect on the consolidated financial statements of the Group, especially the following:

IFRS 9, 'Financial Instruments'

IFRS 15, 'Revenue Recognition'

IFRS 16, 'Leases'

The effect of the IFRS and IFRIC amendments has a net effect on the Group's consolidated financial statements. The Group's management believes that the adoption of these standards and interpretations will not have a material impact on the Group's financial statements.

**7.4.3 Trade Receivables**

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

The carrying amount of the Group's trade receivable as at the reporting date is RMB123,067,000, which is a net amount.

As of December 31, 2014 and 2015, the aggregate liability for the above receivable is as follows:

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
Aggregate liability based on the billing date:		
Bill receivable	<b>9,580</b>	9,927
1-3 months	<b>74,718</b>	45,694
4-6 months	<b>19,635</b>	13,082
7-12 months	<b>19,937</b>	14,635
1-2 years	<b>5,075</b>	4,574
2-3 years	<b>1,426</b>	1,544
Over 3 years	<b>367</b>	81
	<b>130,738</b>	89,537

According to the Group's experience, all bill receivable are collectible.

As of December 31, 2014 and 2015, the Group's receivable and debt liability are RMB73,442,000 and RMB113,297,000, respectively. The above liability is related to the amount to be claimed for local special acceptance and installment deposits of which are receivable for the employee of medical equipment manufacturer as a result of acceptance of medical acceptance check.

The management considers that based on the above, the amount can be recognized as a receivable. The aggregate liability for the above receivable is as follows:

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
Lease liability	<b>110,355</b>	71,136
1-2 years	<b>2,800</b>	2,269
2-3 years	<b>142</b>	3
Over 3 years	-	34
	<b>113,297</b>	73,442

As of December 31, 2014 and 2015, the receivable of RMB6,168,000 and RMB7,861,000 were included, respectively. The amount of the receivable of RMB5,005,000 and RMB7,671,000 as of December 31, 2014 and 2015, respectively. The aging of the receivable is as follows:

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Level 1	<b>3,935</b>	2,275
1-2	<b>2,275</b>	2,305
2-3	<b>1,284</b>	1,541
Over 3	<b>367</b>	47
	<b>7,861</b>	6,168

The amount of the Group's receivable of trade receivable are as follows:

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
As of January 1,	<b>5,005</b>	3,699
Profit receivable	<b>4,907</b>	2,957
Receivable of affiliated companies	<b>(2,241)</b>	(1,304)
Write-back recorded	-	(347)
As of December 31,	<b>7,671</b>	5,005

The profit receivable included in the consolidated financial statements has been included in the consolidated financial statements. All of the receivable of affiliated companies are recorded in the consolidated financial statements.

The amount of the receivable of trade receivable. The Group does not have any receivable of trade receivable.

#### 7.4.4 Other Receivables, Deposits and Prepayments

	As of December 31,	
	2015	2014
	RMB'000	RMB'000
Other receivable <sup>(a)</sup>	14,337	1,408
Deposit <sup>(b)</sup>	17,268	16,823
Accounts receivable <sup>(c)</sup>	12,304	
Prepaid financial	30,007	16,686
Prepaid financial charges <sup>(d)</sup>	13,000	
Prepaid financial consulting fee	2,594	1,216
Prepaid financial guarantee	2,539	1,511
Prepaid financial IPO fee	-	3,477
Other	43	123
Less: impairment allowance for other receivable	(1,078)	
Total	91,014	41,244
Current	42,690	27,340
Non-current	48,324	13,904
Total	91,014	41,244

The carrying amount of the Group's other receivable, deposit and prepaid financial charges as at December 31, 2015 and December 31, 2014 are denominated in RMB and are in the local currency.

(a) Included in other receivable as of December 31, 2015 are advance payments of RMB9,210,000 from Yangjia Fei Holdings. Such advance will be repaid by the Group to Yangjia Fei Holdings and a cash flow will be agreed between them.

(b) Included in deposit as of December 31, 2014 and 2015 are deposits of RMB12,688,000 held in the name of the Group's subsidiary, Kahega, to fulfill the obligations of the Group to the subsidiary's creditors. The deposit will be repaid by the Group to the subsidiary's creditors and all Group's obligations have been discharged.

(c) The Company entered into an agreement with Sichuan Hongji Pharmaceutical Limited (Sichuan Hongji, a delisted company) in March 2015 and issued a debt of RMB12,000,000 to Sichuan Hongji. The Company placed a deposit of RMB12,000,000 with Sichuan Hongji as a collateral for the agreement. Subsequently, the agreement was cancelled and a settlement agreement was entered into between Sichuan Hongji, Chengdu Jihong Holdings Limited (Chengdu Jihong, a listed company) and the Company.

f Sich an H ngji) and the Company on June 29, 2015. Pursuant to the above agreement, the company agreed to abandon the business license and the debt should be repaid by Chengde Jihong Group. On June 12, 2015, the company changed the interest rate of 5% effective from June 29, 2015, bearing the interest rate of 5% effective from June 29, 2015, bearing the interest rate of 5% effective from June 29, 2015. The amount of the loan is RMB18,000,000.

On July 28, 2015, Chengde Jihong Group changed its name to Chengde Real Estate Co., Ltd.

(d) The Company entered into an agreement with Pingyang Mintian Specialized Fund Co., Ltd. (Pingyang Mintian, an indirect subsidiary) in October 2015 to purchase the shares of Pingyang Mintian. The total consideration of the purchase is RMB18,000,000. As of December 31, 2015, RMB13,000,000 was paid to Pingyang Mintian.

#### 7.4.5 Accruals and Other Payables

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Accrued employee benefits	<b>18,637</b>	17,939
Receivable advances	<b>3,194</b>	3,416
Real estate	<b>3,004</b>	3,362
Guaranteed interest received from financial institutions <sup>(a)</sup>	<b>12,688</b>	12,688
Other payable for purchase, land and equity	<b>20,831</b>	19,916
Other payable	<b>412</b>	641
Advances received from related parties <sup>(b)</sup>	<b>3,110</b>	1,500
Long-term payable for acquisition of investment	<b>90,489</b>	
Accrued liability	<b>11,606</b>	
Other	<b>2,415</b>	566
<b>Total</b>	<b>166,386</b>	60,028
Current	<b>63,209</b>	47,340
Current long-term payable for acquisition of investment	<b>4,356</b>	
Non-current	<b>98,821</b>	12,688
<b>Total</b>	<b>166,386</b>	60,028

The carrying amount of the available-for-sale financial assets is RMB1,000 million. The carrying amount of the available-for-sale financial assets is RMB1,000 million.

- (a) The amount provided by the company for the expected credit loss of the available-for-sale financial assets is RMB1,000 million. The amount will be used to offset the expected credit loss of the available-for-sale financial assets, and the amount will be used to offset the expected credit loss of the available-for-sale financial assets.
- (b) The expected credit loss of the available-for-sale financial assets is RMB1,000 million. The amount will be used to offset the expected credit loss of the available-for-sale financial assets.

## 7.4.6 Revenue

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

### 7.4.7 Expenses by Nature

	Year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Employee benefits expense	99,988	82,750
Pharmaceutical and consumable used	86,483	75,419
Depreciation and amortization	21,706	15,067
Quota management expense	8,563	10,055
Quota management expense - expense aid for medicine and healthcare facilities	7,388	6,612
Car expense	11,280	8,404
Utilities expense	5,820	5,381
Expenses and commission fee	3,388	3,900
Professional fee - outside consulting	4,907	2,610
Professional fee - internal consulting	1,078	
Travel expense	2,481	3,086
Printing and mailing	1,970	2,092
Dairies and other	1,814	1,834
Charitable aid	345	1,147
Litigation	5,177	
Advertising expense		
Advertising	1,532	315
Non-advertising	-	
Other	13,859	10,344
	<b>277,779</b>	<b>229,016</b>

## 7.4.8 Income Tax Expense

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

	<b>Year ended December 31,</b>	
	<b>2015</b>	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
PRC current income tax	<b>23,978</b>	19,054
Deferred income tax	<b>(5,430)</b>	(1,685)
	<b>18,548</b>	17,369

The amount of the Group's provision for income tax differs from the theoretical amount that would be calculated at the applicable PRC tax rate because of the following items:

	<b>Year ended December 31,</b>	
	<b>2015</b>	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for income tax	<b>70,170</b>	68,567
Calculated at the rate of 25%	<b>17,543</b>	17,142
Excess of deductible	<b>2,507</b>	227
Income tax benefits	<b>(167)</b>	
Other adjustments	<b>(1,335)</b>	
	<b>18,548</b>	17,369

### *PRC corporate income tax*

The income tax provision of the Group is calculated based on the income in the PRC has been calculated at the rate of 25% of the taxable income. The amount of the income tax provision is determined based on the applicable tax laws and regulations in the PRC.

## 7.4.9 Earnings per Share

### Basic earnings per share

The calculation of basic earnings per share is based on the available data in the financial statements of the Company of RMB51,198,000 and RMB55,709,000 for the ended December 31, 2014 and 2015, respectively, and the weighted average number of shares in issue for the period of each reporting period, calculated as follows:

### Weighted average number of ordinary shares

	<b>Year ended December 31,</b>	
	<b>2015</b>	2014
	<i>No. of shares</i>	<i>No. of shares</i>
Ordinary shares in issue at beginning of the period	<b>50,000,000</b>	50,000,000
Effect of share issue	<b>4,253,370</b>	—
Weighted average number of shares in issue for the period	<b><u>54,253,370</u></b>	<u>50,000,000</u>

The Company's share issue was completed on October 15, 2014. The calculation of earnings per share for the ended December 31, 2014 is based on 50,000,000 shares in issue for the period if the share issue was added from the beginning of the period. The calculation of earnings per share for the ended December 31, 2015 is based on 54,253,370 shares.

### Diluted earnings per Share

The Company did not have any potential dilutive shares for the period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

#### 7.4.10 Final Dividends

On March 11, 2015, the Board declared a final dividend of RMB18,480,000 for the year ended December 31, 2014. The dividend was paid to the Shareholders on June 1, 2015 and the Company paid 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 dividend will be reflected in the consolidated financial statements for December 31, 2015, and will be reflected in the consolidated financial statements for the year ending December 31, 2016.

	<b>Year ended December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Paid final dividend of RMB0.25 (2014: RMB0.35) to Shareholders	<b>18,260</b>	18,480

#### 7.4.11 Commitments

##### *Capital commitments*

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Contracted but not provided for		
construction	<b>36,635</b>	86,130
leasehold improvements	<b>60,529</b>	1,784
other, largely deposits	<b>10,935</b>	794
	<b>108,099</b>	88,708

##### *Operating lease commitments*

The Group leases certain office buildings and residential properties on a non-cancellable long-term lease agreement.

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

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Non-cancellable operating leases	<b>28,593</b>	26,654
Leases with cancellation penalties	<b>74,546</b>	80,867
Leases with cancellation penalties	<b>105,831</b>	129,116
	<b>208,970</b>	236,637

*Investment in subsidiaries*

	<b>As of December 31,</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Non-cancellable operating leases	<b>43,000</b>	8,600
Leases with cancellation penalties	<b>15,600</b>	2,400
	<b>58,600</b>	11,000

### 7.4.12 Principal Subsidiaries

The following table sets forth 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	Private hospital PRC	Paid-up capital of RMB1,000,000	100%	100%	
Qinghai Kangning Hospital Co., Ltd. (青田康寧醫院有限公司)	The PRC, Limited liability company	Private hospital PRC	Paid-up 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	Private hospital PRC	Paid-up capital of RMB1,000,000	100%	100%	
Yeqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司)	The PRC, Limited liability company	Private hospital PRC	Paid-up 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	Private hospital PRC	Paid-up 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 identification PRC	Paid-up 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	Private hospital PRC	Paid-up 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) <sup>(a)</sup>	The PRC, Limited liability company	Private hospital PRC	Paid-up capital of RMB10,000,000	100%	100%	
Pingyang Kangning Hospital Co., Ltd. (平陽康寧醫院有限公司) <sup>(b)</sup>	The PRC, Limited liability company	Private hospital PRC	Paid-up 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) <sup>(c)</sup>	The PRC, Limited liability company	Investment holding PRC	Nil	100%	100%	
Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司) <sup>(d)</sup>	The PRC, Limited liability company	Private hospital PRC	Nil	60%	60%	40%
Hangzhou Honglan Information Technology Co., Ltd. (杭州宏瀾信息科技有限公司) <sup>(e)</sup>	The PRC, Limited liability company	Online medical consulting PRC	Nil	100%	100%	
Lanfang Yining Hospital Management Co., Ltd. (廊坊市怡寧醫院管理有限公司) <sup>(f)</sup>	The PRC, Limited liability company	Hospital management consulting PRC	Nil	100%	100%	

All the subsidiaries are established in the PRC as limited liability companies in the Wenzhou Kangning Judicial Free Economic Zone, which are listed hereinafter.

- (a) Wenzhou Yingge Genetic Hospital Co., Ltd. was established on November 2, 2015 with a registered capital of RMB10,000,000. It raised a total of 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. It raised a total of RMB6,000,000 as of December 31, 2015.
- (c) Shenghe Ying Medical Device Co., Ltd. was established on September 23, 2015 with a registered capital of RMB10,000,000. It raised a total of RMB10,000,000 as of December 31, 2015.
- (d) Qianying Hospital Co., Ltd. was established on November 20, 2015 with a registered capital of RMB30,000,000. It raised a total of RMB30,000,000 as of December 31, 2015.
- (e) Hangzhou Hightech Medical Technology Co., Ltd. was established on November 20, 2015 with a registered capital of RMB5,000,000. It raised a total of RMB5,000,000 as of December 31, 2015.
- (f) Langfang Ying Hospital Management Co., Ltd. was established on December 2, 2015 with a registered capital of RMB10,000,000. It raised a total of RMB10,000,000 as of December 31, 2015.

Board 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.*