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**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)*

**(Stock Code: 02120)**

## **CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING**

Reference is made to the prospectus issued by Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”, together with its branches and subsidiaries, the “**Group**”), dated November 10, 2015 (the “**Prospectus**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

### **USE OF PROCEEDS**

As set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intends to use the net proceeds from the Global Offering for the following purposes:

- approximately 50% will be used to expand and ramp up our healthcare facility network and operating capacity, including with respect to both our existing and future pipeline facilities, by leveraging our diversified expansion model in regions with underserved demand for psychiatric healthcare services;
- approximately 25% will be used to finance renovation and upgrades for Wenzhou Kangning Hospital in order to expand its operating capacity and premium service capability;
- approximately 10% will be used for research, teaching and personnel training purposes, including expanding our collaboration with selected psychiatric healthcare institutions and universities both in the PRC and abroad;

- approximately 8% will be used to develop our mobile and online platforms for medical consultation and upgrade our information technology infrastructure, which we believe will further strengthen our brand awareness and patient outreach capability; and
- approximately 7% will be used for working capital and other general corporate purposes.

## CHANGES IN USE OF PROCEEDS

The board of directors of the Company (the “**Board**”) resolved on March 30, 2017 to change the proposed use of the net proceeds. Set out below are details of the original of the net proceeds, the revised allocation of actual net proceeds:

	<b>Initial allocation of net proceeds and its percentage of total net proceeds</b> <i>(Approximately RMB million)</i>	<b>Amount utilized as at the date of this announcement</b> <i>(Approximately RMB million)</i>	<b>Revised allocation of net proceeds and its percentage of total net proceeds</b> <i>(Approximately RMB million)</i>	<b>The remaining balance of allocation of net proceeds after the revised allocation as at the date of this announcement</b> <i>(Approximately RMB million)</i>
To expand and ramp up our healthcare facility network and operating capacity	290.3 (50%)	281.3	348.4 (60%)	67.1
To finance renovation and upgrades for Wenzhou Kangning Hospital	145.2 (25%)	37.1	87.1(15%)	50.0
Research, teaching and personnel training purposes	58.1(10%)	17.5	58.1(10%)	40.6
To develop our mobile and online platforms for medical consultation and upgrade our information technology infrastructure	46.5(8%)	5.0	46.5(8%)	41.5
Working capital and other general corporate purposes	40.6(7%)	20.7	40.6(7%)	19.9
<b>Total</b>	<b>580.7</b>	<b>361.6</b>	<b>580.7</b>	<b>219.1</b>

## REASONS FOR THE CHANGES IN USE OF PROCEEDS

The Company originally planned to use 25% of the net proceeds to finance the renovation and upgrades for Wenzhou Kangning Hospital. As a result of the general decrease of market price of construction materials associated with the slowing growth of the construction industry in the last year, the actual spending amount on the construction work would be less compared to what was planned for based on the then available information as of the date of the Prospectus and as a result a certain portion of the proceeds initially allocated for such purpose will need to be reallocated. As of the date of this announcement, the renovation and upgrade of infrastructure of this project has been substantially completed and the Board is of the view that, with the adjusted amount proceeds to be allocated for the renovation and upgrade, the project will be completed on time and with the same level of sound quality as planned.

In addition, in the year of 2016, while continuously developing the existing self-owned hospitals, the Group is also actively expanding the service network through a combination of self-construction and equity investment. The network of medical institutions of psychiatric healthcare services which the Group operates and manages has covered various areas of China, including Zhejiang, Beijing, the Bohai Economic Rim and Southwest China region. At the same time, in order to grasp the growth opportunities presented in the rapidly developing industry, the Group is committed to developing potential opportunities to continue expanding its service network and its revenue sources.

The Board therefore resolved to adjust and reallocate a portion of the unused net proceeds initially allocated to the renovation and upgrades for Wenzhou Kangning Hospital (approximately RMB58.1 million) to the expansion and ramp up of the Group's healthcare facility network and operating capacity, which was the largest category of the planned proceeds use in the Prospectus, for the above reasons and purposes. The Board is of the view that such adjustment and re-allocation will result in a more efficient use of net proceeds from the Global Offering.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above proposed changes in use of net proceeds is in the best interests of the Company and its Shareholders as a whole.

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

Zhejiang, the PRC  
March 31, 2017

*As of the date of this announcement, the Company's executive directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the Company's non-executive directors are Mr. YANG Yang and Ms. HE Xin; and the Company's independent non-executive directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin.*