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The terms of the Investment Agreement are set out below:

Date

August 20, 2021

Parties

The Company

Existing Shareholders

Target Company

Subject matter

The Company has conditionally agreed to (i) subscribe for the newly increased registered capital of the Target Company of RMB14.0747 million by way of subscription at a premium at the price of RMB71.2349 million (the "**Capital Increase**"). Upon completion of the Capital Increase, the Company will hold 46.03% of the equity interest in the Target Company; and (ii) subscribe for the remaining 53.97% equity interest of the Target Company (corresponding to the registered capital of RMB16.5 million in total) held by the Existing Shareholders at a consideration of RMB83.5098 million from the Existing Shareholders following the completion of the Capital Increase (the "**Acquisition**"). Upon completion of the closing of the Investment, the registered capital of the Target Company will be RMB30.5747 million.

Consideration and payment arrangement

The total consideration for the Investment is RMB154.7447 million, including the consideration for all shareholders' equity of the Target Company prior to the Investment of RMB83.5098 million, which is determined with reference to the appraised value of all shareholders' equity of the Target Company as of March 31, 2021 of RMB106.6323 million as set out in the valuation report prepared by an independent valuer using the market method. The Company intends to utilize its own funds and bank loans to pay for the total consideration of the Investment in four instalments. The first instalment of consideration for the capital increase (the "**First Instalment of Consideration**") shall be paid to the Target Company within five business days from the date when the prerequisites are satisfied; the second instalment of consideration for the capital increase (the "**Second Instalment of Consideration**") shall be paid to the Target Company on the premise that the prerequisites are satisfied; the third instalment of consideration for the share acquisition (the "**Third Instalment of Consideration**") shall be paid to the Existing Shareholders within five business days from the date when the prerequisites are satisfied; and the fourth instalment of consideration for the share acquisition (the "**Fourth Instalment of Consideration**") shall be paid to the Existing Shareholders on May 31, 2022 on the premise that the prerequisites are satisfied.

Prerequisites

Prerequisites for payment of the First Instalment of Consideration:

(1) the shareholders'

(2) the Board approves the transaction;

(3) the relevant parties to the Investment Agreement have executed all necessary transaction documents for the transaction, including but not limited to the Investment Agreement, the new articles of association of the Target Company, etc.;

(4) from the date of execution to the date of payment of the First Instalment of Consideration, there has been no event that has a material adverse effect on the Target Company.

Prerequisites for payment of the Second Instalment of Consideration:

(1) the change of industrial and commercial registration for the Capital Increase is completed;

(2) from the date of payment of the First Instalment of Consideration to the date of payment of the Second Instalment of Consideration, there has been no event, individually or in the aggregate, that has a material adverse effect on the Target Company.

Prerequisites for payment of the Third Instalment of Consideration:

(1) the change of industrial and commercial registration for the Acquisition is completed;

(2) from the date of payment of the Second Instalment of Consideration to the date of payment of the Third Instalment of Consideration, there has been no event, individually or in the aggregate, that has a material adverse effect on the Target Company.

Prerequisites for payment of the Fourth Instalment of Consideration:

(1) all handling fees, intermediary fees, taxes and other expenses for the of the Capital Increase and the Acquisition have been paid;

(2) from the date of payment of the Third Instalment of Consideration to the date of payment of the Fourth Instalment of Consideration, there has been no event, individually or in the aggregate, that has a material adverse effect on the Target Company.

Profit and loss arrangement in the transitional period

The Company becomes a shareholder of the Target Company upon the date of completion of the closing (the date of completion of the change of the industrial and commercial registration for the Investment), and will enjoy the corresponding shareholder rights and fulfill the corresponding shareholder obligations. If the Investment has been completed smoothly, the Company shall be entitled to both the undistributed profits and operating income/(loss) (including bank loan interest) of the Target Company from August 1, 2021 up to the completion date of the closing.

Settlement of creditor's rights and liabilities

The Target Company shall utilize all considerations for the Capital Increase obtained from the Capital Increase to repay the existing debts of the Target Company.

GENERAL INFORMATION

The Company

The Company is the largest private psychiatric healthcare group in the PRC, which operates a network of healthcare facilities that focus on providing psychiatric specialty care and elderly rehabilitation services across various regions in the PRC.

Existing Shareholders

As of the date of execution of the Investment Agreement, the natural person shareholders of the Target Company are WANG Changxin, YANG Daqi, XIAO Yujin, WANG Li, LIN Meidi and PAN Lihua, and all of them are PRC citizens.

The legal person shareholders of the Target Company are Pingyang Binda Investment Management Partnership (LLP) (平陽賓大投資管理合夥企業(有限合夥)) ("**Binda Investment**"), Liming Yeya Co., Ltd. (黎明液壓有限公司) ("**Liming Yeya**") and Wenzhou Jiufu Investment Co., Ltd. (溫州市久富投資有限公司) ("**Jiufu Investment**"). Binda Investment is a limited partnership incorporated in the PRC, whose ultimate beneficial owner is WANG Xiaomin. Liming Yeya is a limited liability company incorporated in the PRC, whose ultimate beneficial owner is YE Haiou. Jiufu Investment is a limited liability company incorporated in the PRC, whose ultimate beneficial owner is ZHANG Qiong.

The Target Company

The Target Company is a limited liability company incorporated in the PRC, which is mainly engaged in the businesses of medical services, hospital management, nursing agency services and elderly care services. The Target Company held 100% equity interest in Pingyang Changgeng Hospital. In July 2021, the Target Company merged Pingyang Changgeng Hospital by absorption and succeeded all its creditor's rights and debts as well as its business qualifications. Pingyang Changgeng Hospital was deregistered.

The Target Company is currently actually operating a medical institution named Pingyang Changgeng Yining Hospital, which is a general hospital providing medical treatment, preventive care and rehabilitation. The hospital owns land area of 13,333 sq. m. and floor area of self-owned properties of 22,100 sq. m. with the operation of beds available amounting to 450 and an annual outpatient volume amounting to approximately 160,000. As at the date of this announcement, the Target Company has approximately 230 full-time employees, including approximately 180 medical professionals.

According to the audited financial statements of the Target Company, the Target Company had an audited net asset value of approximately RMB-28.1981 million as of March 31, 2021.

The table below sets out the consolidated financial information of Pingyang Changgeng Hospital for the two financial years ended December 31, 2020 and 2019 prepared in accordance with the PRC Generally Accepted Accounting Principles:

Unit: RMB'000

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net profit/(loss) before tax	**-1,474.53**	968.46
Net profit/(loss) after tax	**-1,615.88**	726.35

Notes:

1. Since the Target Company was established on January 14, 2021, the above financial data for the two financial years ended December 31, 2020 and 2019 are based on the previous financial data of Pingyang Changgeng Hospital, a subsidiary of the Target Company.

2. The financial data as of December 31, 2019 are unaudited data, and the financial data as of December 31, 2020 and March 31, 2021 are audited financial data.

Upon completion of the transactions under the Investment, the Target Company will become a wholly-owned subsidiary of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Existing Shareholders and the Target Company (and their ultimate beneficial owners) are not connected persons of the Company (as defined in the Listing Rules), and, instead, they are independent third parties of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE INVESTMENT

Through the Investment, the Company will further strengthen its layout in the field of rehabilitation and medical care for the elderly, integrate medical resources in southern Zhejiang, and improve overall operational efficiency. First, with the aging process of China's population, the demand for elderly rehabilitation and medical services in Wenzhou has increased. Beds in Wenzhou Yining Geriatric Hospital, a hospital established by the Company in 2016, are close to saturation, and the acquisition of the Target Company can relieve the pressure on beds in Wenzhou Yining Geriatric Hospital. Second, the Company has established Pingyang Kangning Hospital, a psychiatric specialist hospital in Pingyang County, and the acquisition of the Target Company can synergize and complement Pingyang Kangning Hospital in business, thereby improving the utilization efficiency of medical resources of the two medical institutions.

The Directors believe that the terms of the Investment are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio of the Investment is more than 5% but less than 25% under Chapter 14 of the Listing Rules, the Investment constitutes a discloseable transaction of the Company, therefor is subject to the relevant announcement requirements under Chapter 14 of the Listing Rules but is not subject to shareholder's approval requirements.

DEFINITIONS

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

"Board"	the board of directors of the Company
"Company"	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
"Director(s)"	the director(s) of the Company
"Existing Shareholders	

"Target Company"	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021
"Wenzhou Yining Hospital"	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the wholly-owned subsidiaries indirectly held by the Company, and principally engaged in providing medical services for the geriatric, including geriatric psychiatric and psychological treatment

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

Zhejiang, the PRC
August 20, 2021

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 Mr. QIN Hao; and the Company's independent non-executive Directors are Mr. ZHAO Xudong, Ms. ZHONG Wentang and Mr. LIU Ning.