

*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.*



溫州康寧醫院股份有限公司  
Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)  
Stock code: 2120

## 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**”) and the announcement of the company dated March 31, 2017, in relation to the use of proceeds from the Global Offering. 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 and as resolved by the board of directors of the Company (the “**Board**”) on March 30, 2017, in changing the proposed use of the net proceeds, the Company intended to use the net proceeds from the Global Offering for the following purposes:

- approximately 60% 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 15% to finance renovation and upgrades for Wenzhou Kangning Hospital in order to expand its operating capacity and premium service capability;
- approximately 10% 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% 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% for working capital and other general corporate purposes.

## CHANGES IN USE OF PROCEEDS

The Board resolved on March 23, 2018 to further change the proposed use of the net proceeds from the Global Offering. 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	348.4 (60%)	334.7	394.9 (68%)	60.2
To finance renovation and upgrades for Wenzhou Kangning Hospital	87.1 (15%)	79.4	87.1 (15%)	7.7
Research, teaching and personnel training purposes	58.1 (10%)	31.6	40.7 (7%)	9.1
To develop our mobile and online platforms for medical consultation and upgrade our information technology infrastructure	46.5 (8%)	13.1	17.4 (3%)	4.3
Working capital and other general corporate purposes	40.6 (7%)	28.3	40.6 (7%)	12.3
<b>Total</b>	<b>580.7</b>	<b>487.1</b>	<b>580.7</b>	<b>93.6</b>

## **REASONS FOR THE CHANGES IN USE OF PROCEEDS**

The Company originally planned to use 10% of the net proceeds to finance the research, teaching and personnel training purposes and use 8% of the net proceeds to finance the develop our mobile and online platforms for medical consultation and upgrade our information technology infrastructure, according to the operation of the Group, the capital needs of the research, teaching and personnel training and develop mobile and online platforms for medical consultation and upgrade information technology infrastructure 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. The Board is of the view that, with the adjusted amount proceeds will be enough to ensure that the Group's research, teaching and personnel training level, and mobile and online platforms for medical consultation and information technology infrastructure can meet the Group's requirement in recent years.

In 2017, while continuously developing the existing self-owned hospitals, the Group is also actively expanding its service network through a combination of self-construction and equity investment, 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. In addition, because the Public Offering Review Committee of the China Securities Regulatory Commission did not approve the Group's application for the initial public offering of A Shares of the Company, the Group needs to use its internal resources or other means to finance the projects initially proposed to be financed by the proceeds from the A Share Offering.

The Board therefore resolved to adjust and reallocate a portion of the unused net proceeds from the Global Offering allocated to the research, teaching and personnel training purposes and develop our mobile and online platforms for medical consultation and upgrade our information technology infrastructure (approximately RMB44.7 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.

Zhejiang, the PRC March 26, 2018

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

*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. LIN Lijun; and the Company's independent non-executive directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin.*