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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)

(Stock Code: 2120)

VOLUNTARY ANNOUNCEMENT
FRAMEWORK AGREEMENT WITH
YIWU MUNICIPAL GOVERNMENT

The board of directors (the “**Board**”) of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) is pleased to announce that on December 7, 2016, the Company entered into a framework agreement (the “**Framework Agreement**”) with the People’s Government of Yiwu (the “**Yiwu Municipal Government**”) in relation to the proposed provision of entrustment management services by the Company to Yiwu Psychiatric Health Center* (義烏市精神衛生中心, the “**Psychiatric Health Center**”) through Yiwu Kangning Hospital Management Company Limited* (義烏康寧醫院管理有限公司, the “**Management Company**”), a subsidiary to be established by the Company.

The Psychiatric Health Center is a public psychiatric specialty hospital (not-for-profit hospital) with 200 registered beds established by Yiwu Municipal Government, and an independent third party of the Company.

* *For identification purposes only*

DETAILS OF THE FRAMEWORK AGREEMENT

Pursuant to the Framework Agreement, the Management Company will provide entrustment management service to the Psychiatric Health Center, and charge the Psychiatric Health Center brand fees and management service fees in return. The brand fees are fixed at RMB3.0 million per annum. The annual management services fees shall be determined based on performance of the Management Company which shall be no more than 40% of the profit of the Psychiatric Health Center before the payment of fees.

The Management Company has the right to assign two members to a five-member management committee of the Psychiatric Health Center as well as to nominate the head of hospital administration. The Company also agreed to make investment into Psychiatric Health Center in two phases. The initial phase of the investment, with an aggregate amount of RMB30.0 million to be made in two installments, will be used to upgrade the medical facilities of the Psychiatric Health Center. The second phase of the investment, calculated based on RMB0.5 million per new operating bed, will be made with the ultimate goal of increasing the operating beds of the Psychiatric Health Center to 300 by the seventh year of the entrustment management. The term of the entrustment service is 20 years, during which parties may explore the strategic options to restructure the Psychiatric Health Center or otherwise allow the Company to acquire the Psychiatric Health Center upon mutual agreement. After ten years of cooperation, the Yiwu Municipal Government has the right to unilaterally terminate the Framework Agreement and return to the Company the unearned portion of the investment made. Otherwise the facilities and investments made by the Company will be retained by the Psychiatric Health Center upon the expiry of the term of the entrustment service.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

By entering into the Framework Agreement with the Yiwu Municipal Government, the Company can enhance its advantage of brand recognition and awareness in Yiwu, as well as increase its market share in Zhejiang Province. The Directors are of the view that the entering into of the Framework Agreement is consistent with the long-term development goals of the Company, and is in the interests of the Company and its shareholders as a whole.

The Board wishes to emphasize that as of the date of this announcement, the Management Company has not been established and the proposed transactions in the Framework Agreement may or may not proceed. Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

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

Zhejiang, the PRC
December 7, 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. Got Chong Key Clevin.