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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 liability company incorporated in the People's Republic of China)

(Stock Code: 2120)

**DISCLOSEABLE TRANSACTION – ACQUISITION OF EQUITY
INTEREST IN AND CREDITOR’S RIGHTS RELATING TO THE
TARGET COMPANY**

Reference is made to the announcement of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) dated January 22, 2016 (the “**Announcement**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that on June 2, 2016, the Company entered into an agreement (the “**Agreement**”) with Wenzhou Medical University Asset Management Company Limited* (溫州醫科大學資產經營有限公司, the “**Vendor**”) and Wenzhou Medical University* (溫州醫科大學) in relation to (i) the acquisition of 51% of the equity interest in Wenzhou Guoda Investment Company* (溫州國大投資有限公司, the “**Target Company**”) from the Vendor by the Company, and (ii) the acquisition by the Company of Wenzhou Medical University’s creditor’s rights in relation to certain sums owed to it by the Target Company (the “**Transaction**”).

* For identification purposes only

BACKGROUND

On January 22, 2016, the Company entered into (i) a framework agreement (the “**Framework Agreement**”) with Wenzhou Medical University in relation to the proposed establishment and operation of the Psychiatry School of Wenzhou Medical University* (溫州醫科大學精神醫學學院) (the “**Psychiatry School**”) and (ii) a memorandum of understanding with the Vendor and Wenzhou Guoda Information Technology Company Limited * (溫州國大信息科技有限公司, “**Wenzhou Guoda**”) in relation to the proposed acquisition of 51% of the equity interest in the Target Company (the “**Equity Interest**”) from the Vendor by the Company through public bidding (the “**Public Bidding**”). The Psychiatry School was established on March 20, 2016.

As of the date of the Public Bidding, the Target Company owed certain sums to Wenzhou Medical University. As part of the Public Bidding, the successful bidder for the Equity Interest is also required to acquire Wenzhou Medical University’s creditor’s rights in relation to the aforementioned sums owed to it by the Target Company (the “**Creditor’s Rights**”).

THE AGREEMENT

Date: June 2, 2016

Parties: (i) the Vendor
(ii) Wenzhou Medical University
(iii) the Company

Nature of the Transaction: Pursuant to the Agreement, the Company has agreed to acquire the Equity Interest from the Vendor and the Creditor’s Rights from Wenzhou Medical University.

Consideration: As disclosed in the Announcement, the consideration of the Transaction shall be determined by parties having reference to an asset evaluation report required under relevant laws of the People’s Republic of China (the “**PRC**” or “**China**”) and is subject to the approval by the relevant government authority(ies) affiliated with the State-owned Assets Supervision and Administration of the PRC.

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According to an asset evaluation report dated February 22, 2016 on the entire equity interest of the Target Company based on asset approach, and as approved in Zhe Cai Zi Chan [2016] No. 16 (浙財資產[2016]16號) issued by Zhejiang Provincial Department of Finance (浙江省財政廳), the consideration for the acquisition of the Equity Interest and the Creditor's Rights shall not be less than RMB17,472,400 and RMB20,074,849 (without taking into account interests payable), respectively. Following completion of the Public Bidding process, the Company has successfully bid for the Equity Interest and the Creditor's Rights at an aggregate consideration of RMB38,084,234 (representing RMB17,492,400 for the Equity Interest and RMB20,591,834 for the Creditor's Rights) (the "**Consideration**").

The Consideration is to be settled by a combination of the proceeds from the Company's initial public offering and the Company's internal resources.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the Announcement, pursuant to the Framework Agreement, the Company shall grant the Psychiatry School the right to use certain land(s) and properties necessary for its research and development ("**R&D**") and teaching activities. Meanwhile, the Target Company owns certain land(s) and properties which are appropriate for teaching facilities by the Psychiatry School. Upon completion of the Transaction, the Target Company will be held by the Company as to 51%, which can facilitate the Company's performance of its relevant obligations under the Framework Agreement.

Further agreement (the "**Further Agreement**") is expected to be entered into by Wenzhou Medical University and the Company to reflect more detailed arrangements, including the grant of the right to use certain land(s) and properties to the Psychiatry School.

The Company's directors (the "**Directors**") are of the view that the entering into the Agreement is consistent with the long-term development goals of the Company, and that the terms of the Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, one of the applicable percentage ratios under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) regarding the Transaction exceeds 5% but is lower than 25%. The Transaction therefore constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

Wenzhou Medical University

Wenzhou Medical University is an institution of higher learning of medical studies established and operated by, and under the leadership of, the People’s Government of Zhejiang Province of the PRC with abundant R&D and teaching resources and extensive experience in cultivating talents.

The Vendor

The Vendor is established in the PRC and wholly owned by Wenzhou Medical University. It principally engages in investment in industries related to education and asset operation and management.

The Target Company

The Target Company is a property development and operation company established in the PRC and owned by the Vendor as to 51% and by Wenzhou Guoda as to 49% immediately before the completion of the Transaction. Wenzhou Guoda is independent of both the Vendor and Wenzhou Medical University.

Based on the audited financial statements of the Target Company, the net asset value of the Target Company as of December 31, 2015 is approximately RMB-10.6 million.

Set out below is the financial information of the Target Company for the years ended December 31, 2014 and 2015 as extracted from its audited financial statements:

	For the year ended December 31	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Net (loss) before taxation and extraordinary items	(5,616,827.80)	(5,616,827.80)
Net (loss) after taxation and extraordinary items	<u>(4,835,148.09)</u>	<u>(4,835,148.09)</u>

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Wenzhou Medical University, the Vendor, Wenzhou Guoda and the Target Company (including their respective ultimate beneficial owners) is a third party independent of the Company and its connected persons (as defined under the Listing Rules) and not a connected person of the Company.

The Group

The Group is the largest private psychiatric healthcare group in the PRC and operates and manages a network of healthcare facilities across various regions in China that primarily focus on providing psychiatric specialty care.

The Board wishes to emphasize that the Further Agreement is subject to further negotiation between the relevant parties. Transactions underlying the Further Agreement, if materialized, may or may not constitute a notifiable transaction and/or connected transaction of the Company pursuant to the Listing Rules. Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company. Further announcement in respect of the Further Agreement will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

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

Zhejiang, the PRC
June 2, 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. WONG Raymond Fook Lam.