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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 with limited liability)
(Stock Code: 2120)

WENZHOUCANGNINGHOSPITALCO.,LTD. FRAMEWORK AGREEMENT IN RELATION TO COOPERATION WITH WENZHOU MEDICAL UNIVERSITY MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION

The board of directors (the “**Board**”) of Wenzhou Kangning Hospital Co., Ltd. (the “**Company**”) is pleased to announce that on January 22, 2016, the Company entered into (i) a framework agreement (the “**Framework Agreement**”) with Wenzhou Medical University* (溫州醫科大學) 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 (the “**MOU**”) with Wenzhou Medical University Asset Management Company Limited* (溫州醫科大學資產經營有限公司, the “**AMC**”) and Wenzhou Guoda Information Technology Company Limited* (溫州國大信息科技有限公司, “**Guoda**”) in relation to the Proposed Acquisition (as defined below).

I. THE FRAMEWORK AGREEMENT

Pursuant to the Framework Agreement, (i) the parties agreed to jointly establish and operate the Psychiatry School, which will be affiliated with, and serve as a part of, Wenzhou Medical University; (ii) the Company shall grant the Psychiatry School the right to use certain land(s), properties, facilities, equipment and other fixed assets necessary for its research and development (“**R&D**”) and teaching activities at nil consideration; (iii) Wenzhou Medical University shall provide the Psychiatry School with the preliminary funding for teaching activities, and the Company shall cover the shortage in funding when that provided by Wenzhou Medical University is insufficient; (iv) Wenzhou Medical University

* For identification purposes only

shall assign appropriate teachers for providing courses of the Psychiatry School, and the Company shall arrange for additional teachers for psychiatry courses (if necessary); (v) the Company shall cover the relevant costs of engaging first-class expert psychiatry professors to serve as full-time or adjunct professors or to carry out R&D or other academic activities at the Psychiatry School; (vi) the Company shall be responsible for organizing the clinical practice courses of the Psychiatry School; and (vii) Wenzhou Medical University shall enroll students for the Psychiatry School.

The Framework Agreement is valid for twenty years from its signing date (the “**Initial Term**”), and may be automatically renewed if neither party proposes to terminate this agreement within three months prior to the expiration of the Initial Term.

Further agreement (the “**Further Agreement**”) is expected to be entered into by both parties to reflect more detailed arrangements, including specific commitment amount from the Company, upon further negotiation between them.

II. THE PROPOSED ACQUISITION

On January 22, 2016, the Company entered into the MOU with the Vendor and Wenzhou Guoda in relation to the proposed acquisition of 51% of the equity interests in Wenzhou Guoda Investment Company* (溫州國大投資有限公司, the “**Target Company**”) from the Vendor by the Company through public bidding (the “**Public Bidding**”), subject to the entering into of relevant formal agreement(s).

Consideration

The consideration of the Proposed Acquisition shall be determined by both parties having reference to an asset evaluation report required under relevant laws of the People’s Republic of China (the “**PRC**”) and is subject to the approval by the relevant government authority(ies) affiliated with the State-owned Assets Supervision and Administration of the PRC. The final consideration of the Proposed Acquisition will be determined in the formal share transfer agreement to be entered into by the Company and the Vendor after the public bidding.

Pre-emptive Right

Wenzhou Guoda has undertaken that, if a formal agreement in connection with the Proposed Acquisition is entered into between the Company and the Vendor within a certain period, the Company has a pre-emptive right, but is not obliged, to acquire from Wenzhou Guoda all or part of the 49% equity interests in the Target Company held by it within six months upon completion of the Proposed Acquisition, at a consideration having reference to that of the Proposed Acquisition.

Background

Save for certain provisions in the MOU, including but not limited to provisions relating to the reference for the consideration of the Proposed Acquisition and the Company's pre-emptive right, the MOU is not legally binding on the Vendor, Wenzhou Guoda and the Company.

Introduction of Wenzhou Medical University and the Target Company

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 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 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%.

To the best of the knowledge, information and belief of the Company's directors (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) and not a connected person of the Company.

III. REASON FOR AND BENEFIT OF THE FRAMEWORK AGREEMENT AND THE PROPOSED ACQUISITION

In order to expand and ramp up its healthcare facility network and operating capacity, the Company needs sufficient talents specialized in healthcare technology and hospital management. With the establishment of the Psychiatry School and leveraging Wenzhou Medical University's reputation and its R&D and teaching capabilities, the Company can have direct access to a pool of medical talents cultivated by the faculty of Wenzhou Medical University, as well as improve the Company's R&D capabilities through collaboration with Wenzhou Medical University.

Pursuant to the Framework Agreement, the Company shall grant the Psychiatry School the right to use certain land(s) and properties necessary for its R&D and teaching activities. Meanwhile, the Target Company owns certain land(s) and properties which are appropriate for the Psychiatry School to use as teaching facilities.

The Directors are of the view that the entering into the Framework Agreement is consistent with the long-term development goals of the Company, and both the entering into the Framework Agreement and the Proposed Acquisition are in the interests of the Company and its shareholders as a whole.

本公司董事認為，進入該框架協議符合公司的長期發展目標，且進入該框架協議及建議收購均符合公司及股東的整體利益。

By Order of the Board

關文利 主席
GUAN Wenli
Chairman

Zhejiang, the PRC
January 22, 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.