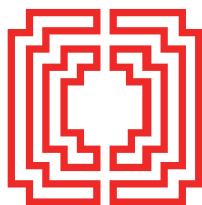


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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

ANNOUNCEMENT
DISCLOSEABLE TRANSACTION – SALE AND LEASEBACK

SALE AND LEASEBACK CONTRACT

The Board is pleased to announce that, in order to revitalize the inventory assets, improve the value of assets in use and enhance the liquidity of the assets, on October 26, 2022 (after trading hours), the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital entered into the Sale and Leaseback Contract with FETJ, pursuant to which the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital shall sell their own Leased Assets to FETJ, and FETJ shall lease the Leased Assets back to the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital for use. The Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital shall lease the Leased Assets for use from and pay rental fees to FETJ.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratios for transactions under the Sale and Leaseback Contract are more than 5% but less than 25%, the transactions under the Sale and Leaseback Contract constitute a discloseable transaction for the Company and are subject to the relevant announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirements.

SALE AND LEASEBACK CONTRACT

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The principal terms of the Sale and Leaseback Contract are summarized as follows:

Date

October 26, 2022 (after trading hours)

Parties

Lessees: The Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital

Lessor: FETJ

Leased Assets

According to the Sale and Leaseback Contract, the Leased Assets are certain medical equipment owned by the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital. The original book value of the Leased Assets is approximately RMB92.47 million.

Selling the Leased Assets to the Lessor

Pursuant to the Sale and Leaseback Contract, the Lessees have agreed to sell and the Lessor has agreed to purchase the Leased Assets for a consideration of RMB80 million, the amount of which was determined by the Lessees and the Lessor after arm's length negotiations and with reference to the value of the Leased Assets. The selling consideration will be paid in a lump sum by the Lessor to the bank account designated by Lessees within seven business days after the execution of the Sale and Leaseback Contract.

Financial impact and use of proceeds

Upon completion of the proposed transactions under the Sale and Leaseback Contract, it is expected that: (i) there will be an increase in the total assets of the Company as a reflection to the cash proceeds from the sale of the Leased Assets, which will not have a financial impact on the fixed assets of the Company; and (ii) there will be an increase in the total liabilities of the Company as a reflection to the Group's lease liabilities under the sale and leaseback arrangement. Lease payments and other related expenses will be charged to the income statement of the Company during the lease period. Therefore, there will not be any significant impacts on the assets and liabilities of the Company.

The net proceeds received from the transactions under the Sale and Leaseback Contract will be used to supplement the liquidity of the Company.

Leasing back the Leased Assets to the Lessees

According to the Sale and Leaseback Contract, after selling the Leased Assets to the Lessor, the Leased Assets shall be leased back to the Lessees for the Lease Term for a total fee of RMB88.74 million. The Lease Term of the Sale and Leaseback Contract is a total of 36 months, starting from the lease commencement date. The lease commencement date is the date on which the selling price of the Leased Assets is paid by the Lessor to the Lessees in full.

Rental fees and the payment method

The rental fees under the Sale and Leaseback Contract totaled RMB88.74 million, including (i) principal amount of rental of RMB80 million, which equalled to the consideration for selling the Leased Assets; and (ii) rental interest of RMB8.74 million. The rental fees shall be divided into equal installments during the Lease Term, repayable on a monthly basis, at the end of the period. In addition, the Lessees shall pay an additional service fee of RMB1.8 million to the Lessor, which will be paid by the Lessees within seven business days upon receipt of the selling consideration of RMB80 million. The aforesaid fees were arrived at after arm's length negotiations between the Lessees and the Lessor with reference to the prevailing market practice and shall be financed by the Company with its internal resources.

Ownership of Leased Assets

Ownership of the Leased Assets shall be transferred to the Lessor from the date on which the selling consideration of the Leased Assets is paid by the Lessor to the Lessees. The Lessor has agreed that upon the expiry of the Lease Term and the full performance by the Lessees of their obligations under the Sale and Leaseback Contract, including the payment of all rental fees (including any taxes such as VAT paid by FETJ) and any increased taxes such as VAT, interests and penalties arising from the circumstances (if any) specified in the Sale and Leaseback Contract and the payment of a retention purchase price for the Leased Assets, the ownership of the Leased Assets will be transferred to the Lessees at a price of RMB4,000 in total.

Guarantee for the Sale and Leaseback Contract

In order to successfully carry out the transactions under the Sale and Leaseback Contract, the Company intends to provide guarantee to FETJ through the Company, Mr. Guan Weili and Ms. Wang Lianyue, shareholders of the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Zhejiang Kangning, a wholly-owned subsidiary of the Company, so as to guarantee the performance of the Lessees' obligations to repay the rental fees and other payments under the Sale and Leaseback Contract. The principal obligations guaranteed are the rental fees, interests, penalties, damages, retention purchase price for leased objects and other payables by the Lessees to FETJ pursuant to the Sale and Leaseback Contract. The guarantee period is the three-year period from the date of signing of the relevant guarantee contracts to the date of expiry of the performance period of the principal obligations under the Sale and Leaseback Contract.

GENERAL INFORMATION

The Company

The Company is a joint stock limited company incorporated under the laws of the PRC and is the largest private psychiatric medical group in the PRC, covering various regions of the PRC and running a network of medical institutions focusing on the provision of psychiatric specialty and geriatric rehabilitation services. The ultimate beneficial owners of the Company are Mr. Guan Weili and Ms. Wang Lianyue.

Wenzhou Yining Hospital

Wenzhou Yining Geriatric Hospital Co., Ltd. is a company established in the PRC with limited liability on November 2, 2015, one of the wholly-owned subsidiaries indirectly held by the Company. It is principally engaged in providing medical services for the geriatric, including geriatric psychiatric and psychological treatment. Its ultimate beneficial owners are Mr. Guan Weili and Ms. Wang Lianyue.

Cangnan Kangning Hospital

Cangnan Kangning Hospital Co., Ltd. is a company established in the PRC with limited liability on June 15, 2012, one of the Company's wholly owned subsidiaries. It is principally engaged in providing psychiatric specialized medical services for patients with mental illness. Its ultimate beneficial owners are Mr. Guan Weili and Ms. Wang Lianyue.

Wenzhou Cining Hospital

Wenzhou Cining Hospital Co., Ltd. is a company established in the PRC with limited liability on January 25, 2006, one of the Company's non-wholly owned subsidiaries. It is principally engaged in providing comprehensive services, including geriatric medical, rehabilitation and nursing services, for the elderly. Its ultimate beneficial owners are Mr. Guan Weili and Ms. Wang Lianyue.

FETJ

Far East Hongxin (Tianjin) Financing Lease Co., Ltd. is a company incorporated in the PRC with limited liability and its ultimate beneficial owner is Far East Horizon Limited, a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 3360). The principal activities of FETJ are finance lease business, leasing business, acquisition of leased properties locally and abroad, residual value treatment and maintenance of leased properties, advisory and guarantee of lease transactions, and commercial factoring business related to its principal business.

Mr. Guan Weili

Mr. Guan Weili is an executive Director and the chairman of the Board and he holds 18,350,250 shares with voting rights of the Company as of the date of this announcement.

Ms. Wang Lianyue

Ms. Wang Lianyue is an executive Director and the general manager of the Company and she holds 3,794,500 shares with voting rights of the Company as of the date of this announcement.

Zhejiang Kangning

Zhejiang Kangning Hospital Management (Group) Co., Ltd. is a company established in the PRC with limited liability on July 1, 2016, one of the Company's wholly owned subsidiaries. It is principally engaged in project investment and hospital management services. Its ultimate beneficial owners are Mr. Guan Weili and Ms. Wang Lianyue.

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, FETJ and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND LEASEBACK CONTRACT

The Sale and Leaseback Contract is conducive to further expanding different types of financing channels and optimizing the debt maturity structure of the Company. Moreover, conducting the sale and leaseback business will not affect the Company's normal use of the Leased Assets and will not have a significant impact on the production and operation of the Company.

The Directors believe that the terms of the Sale and Leaseback Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratios for transactions under the Sale and Leaseback Contract are more than 5% but less than 25%, the transactions under the Sale and Leaseback Contract constitute a discloseable transaction for the Company and are subject to the relevant announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirements.

Pursuant to Chapter 14A of the Listing Rules, Mr. Guan Weili, an executive Director and the chairman of the Board, and Ms. Wang Lianyue, an executive Director and the general manager of the Company, are connected persons of the Company and therefore the guarantee given by Mr. Guan Weili and Ms. Wang Lianyue to the Group in respect of the Sale and Leaseback Contract constitutes a financial assistance received by the Group from the connected persons. As the relevant guarantee is on normal commercial terms or better terms and is not secured by the assets of the Group, the guarantee given by Mr. Guan Weili and Ms. Wang Lianyue to the Group is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on April 1, 2022. Trading in the shares of the Company will remain suspended until further notice.

Shareholders and potential investors of the Company are reminded to rationally deal with any information not officially released by the Company, and Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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
“Cangnan Kangning Hospital”	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company’s wholly owned subsidiaries
“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 Stock Exchange (Stock Code: 2120)
“Director(s)”	the director(s) of the Company
“FETJ”	Far East Hongxin (Tianjin) Financing Lease Co., Ltd.* (遠東宏信(天津)融資租賃有限公司), a limited liability company incorporated in the PRC, the Lessor of the Sale and Leaseback Contract
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Term”	the lease term of 36 months from the lease commencement date under the Sale and Leaseback Contract
“Leased Assets”	certain medical equipment of the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital, which will be sold by the Lessees to the Lessor and leased back to the Lessees pursuant to the Sale and Leaseback Contract
“Lessees”	the Company, Wenzhou Yining Hospital, Cangnan Kangning Hospital and Wenzhou Cining Hospital
“Lessor”	FETJ
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC
“Sale and Leaseback Contract”	the sale and leaseback contract dated October 26, 2022 between the Lessor and the Lessees, pursuant to which the Lessees have agreed to sell the Leased Assets to the Lessor for a consideration of RMB80 million and the Lessor has agreed to lease the Leased Assets back to the Lessees during the Lease Term
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s non-wholly owned subsidiaries
“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
“Zhejiang Kangning”	Zhejiang Kangning Hospital Management (Group) Co., Ltd. (浙江康寧醫院管理(集團)有限公司), a company established in the PRC with limited liability on July 1, 2016, one of the Company’s wholly owned subsidiaries
“%”	per cent

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

Zhejiang, the PRC
October 26, 2022

As of the date of this announcement, the Company’s executive Directors are Mr. GUAN Weili and Ms. WANG Lianyue; the non-executive Directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-executive Directors are Mr. ZHAO Xudong, Ms. ZHONG Wentang and Mr. LIU Ning.