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**PHOENIX  
HEALTHCARE  
GROUP**  
鳳凰醫療集團

**Phoenix Healthcare Group Co. Ltd**

**鳳凰醫療集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1515)**

**VOLUNTARY ANNOUNCEMENT  
MAJOR AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on May 28, 2015 (after trading hours), the Company and the People's Government of Shunyi District, Beijing Municipality (北京市順義區人民政府) (the "District Government") entered into an agreement in respect of the joint development of the healthcare system in modern community in Shunyi District, Beijing (the "Cooperation Agreement"), pursuant to which the parties agreed to establish a healthcare services system comprising preliminary diagnosis, comprehensive medical care and rehabilitation in Shunyi District through the PPP-ROT work model (the "Restructure, Operate and Transfer" under Public Private Partnership). At the early stage of the cooperation, both parties will designate Airport Hospital of Shunyi District ("Airport Hospital") and its primary social healthcare institutions, and Shunyi District No.2 Hospital (the "No.2 Hospital") and its primary social healthcare institutions as the pilot points to carry out the cooperation (the "Cooperation"). Subsequently, the parties will further seek ways to extend the services to other medical institutions within the district regarding the development needs of the district, so as to gradually expand the coverage of the Cooperation reform to, and establish a social healthcare system for the whole Shunyi District.

The purpose of the Cooperation Agreement, which is legally binding, is to encapsulate the parties' precise views and arrangement regarding the Cooperation.

## **KEY TERMS OF THE COOPERATION AGREEMENT**

### **The scope of the Cooperation**

The Company will, through the PPP-ROT work model, launch the cooperation in pilot medical institutions in Shunyi District to establish the healthcare system of modern community with the details as follows:

- The scope of the cooperation includes medical institutions such as public medical institutions, community health centers, community health service clinics and key projects of future development planning in Shunyi District specified by the District Government;
- At the early stage of the cooperation, both parties will designate Airport Hospital and its primary social healthcare institutions, and No.2 Hospital and its primary social healthcare institutions as the pilot points to carry out the cooperation reform;
- Two years after the commencement of reform, both parties will jointly seek ways to gradually extend the scope of reform to other medical institutions in Shunyi District and comprehensively strengthen the healthcare system reform for the district.

### **The Cooperation model**

The Company will jointly establish the Phoenix Healthcare Cooperation System Committee of Shunyi District with the District Government and provide operation and management services for the reform of the pilot medical institutions through the PPP-ROT work model with the details as follows:

- On the condition that the ownership of the medical institutions and its nature as a state-owned public medical institution remains unchanged, the Company is responsible for the capital contribution and the resources management of the pilot medical institutions under the Cooperation to obtain the rights of operation and management of the pilot medical institutions and provide services such as the establishment of the operation and management mechanism, the improvement of the clinical environment, the establishment of the information system and the concentration of purchasing management of the pilot medical institutions through the building of an effective operation mechanism and a sustainable development mechanism by the Managing Board of the medical institutions jointly established by both parties;
- The District Government assesses the operation and management of the Company pursuant to the assessment criteria under the Cooperation Agreement every year in the field of community service, business performance, the competence of operation and management, the prospect of development and social contribution, and pays the Company an annual management fee in respect of the medical institutions on the basis of fixed costs plus a variable fee;
- The subordinate professional institutions of the Company implements standardised procurement and supply chain management for medicines and consumables of the pilot medical institutions;

- The term of this Cooperation Agreement is 20 years commencing on May 28, 2015 and ending on December 31, 2035, of which the period commencing on May 28, 2015 to December 31, 2015 is the transition period and the period commencing on January 1, 2016 to December 31, 2016 is the probationary period.

### **The investment mechanism of the Cooperation**

Upon signing of the Cooperation Agreement, the Company will invest working capital of RMB 100,000,000 in lump sum to the pilot medical institutions at the early stage for recruiting professionals, building clinical laboratories, acquiring medical equipment and improving the clinical environment of the pilot medical institutions, and obtain the annual repayment of RMB 5,000,000 and management fees for respective hospitals from the pilot medical institutions during 2016 to 2035.

The working capital invested by the Company to the pilot medical institutions does not constitute any ownership or owners' interest in the medical institutions, and the rights of assets resulted from the investment are vested in the District Government and the respective medical institutions.

### **The management mechanism of the Cooperation**

The Phoenix Healthcare Cooperation System Committee of Shunyi District (the "Committee"), the highest decision-making body of the pilot medical institutions, is responsible for the overall operation and management of the pilot medical institutions. The Committee comprises 7 members, of which 4 are appointed by the Company, and 3 by the District Government. The Committee is chaired by 1 person, who is the representative of the District Government. There is 1 Committee Executive, who is the representative of the Company and also the legal representative of the pilot medical institutions.

The Phoenix Healthcare Cooperation System Supervision Committee of Shunyi District (the "Supervision Committee"), the highest supervising body of the pilot medical institutions, is responsible for the supervision and management of the operation of the pilot medical institutions. The Supervision Committee comprises 5 supervisors, of which 1 is appointed by the Company, 3 by the District Government, and 1 is the community representative. The Supervision Committee is chaired by 1 person, who is the representative of the District Government.

The team of superintendents was established under the Committee. The Phoenix Healthcare Cooperation System of Shunyi District comprises a chief superintendent, an assistant to the chief superintendent and a financial controller; while each medical institution of the system comprises a superintendent, an executive superintendent, a financial controller (concurrently served by the financial controller of the system) and several vice superintendents, respectively.

### **DISTRICT GOVERNMENT'S FINANCIAL SUBSIDY AND POLICY SUPPORT**

Subject to the related policy for the establishment of a new public hospital financial compensation mechanism in Beijing, the District Government will continue its ongoing financial subsidy for pilot medical institutions in relation to the areas such as infrastructure, purchase of equipment, programme

development, expense of retirees, political loss and public hygiene services. In addition, the District Government will establish a public hospital operation mechanism with greater efficiency, and actively create a more flexible and efficient policy environment for the pilot medical institutions.

## **INFORMATION ON SHUNYI DISTRICT, BEIJING**

Shunyi District, Beijing is located in the north-east of Beijing, China, which is 30 km far from the urban area of Beijing. Shunyi District is one of the key development districts of the north-eastern part of Beijing and also the core area of international aviation center of the capital city, the hub of airport industry and the base of modern manufacturing industry.

As at the end of 2013, the household population and permanent resident population of Shunyi District are 601,000 and 983,000 respectively with 12 towns, 7 regional offices (with town licenses) and 6 sub-district offices and a total of 426 villagers' committees and 85 residents' committees.

According to the statistics of the National Health and Family Planning Commission of the Bureau of Medical Administration of the PRC, as at the end of 2014, in addition to the military hospitals and Chinese medicine hospitals, Shunyi District has 2 Grade II general hospitals and a number of Grade I general hospitals and other medical institutions.

## **INFORMATION ON AIRPORT HOSPITAL**

Airport Hospital is located in the Airport Industrial Zone in Shunyi District, Beijing. It is a Grade II general hospital providing general medical and social medical services. As at the date of this announcement, Airport Hospital has a gross area of about 28,000 square meters and a construction area of about 11,700 square meters. There are 4 social medical institutions under Airport Hospital, with 94 operating hospital beds and about 230 medical professionals. In 2013, Airport Hospital provided services to approximately 285,000 people (headcount).

## **INFORMATION ON NO.2 HOSPITAL**

Shunyi District No.2 Hospital is located in Yangzhen, Shunyi District, Beijing. It is a Grade I general hospital providing general medical and social medical services. As at the date of this announcement, No.2 Hospital has a gross area of about 27,000 square meters and a construction area of about 16,200 square meters. There are 10 social medical institutions under No.2 Hospital, with 100 operating hospital beds and about 120 medical professionals. In 2013, No.2 Hospital provided services to approximately 212,000 people (headcount).

## **REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT**

The Proposed Cooperation is a further attempt to strengthen the reform of the medical institutions in Beijing, on the basis of a comprehensive enhancement of the reformation of the healthcare services system in the PRC. The Group's professional medical service management capabilities and flexible social capital help introduce market mechanism and modern management model to the medical system of Shunyi District, reform the existing medical system and establish a new multi-level social healthcare

system through innovative PPP-ROT cooperation mode in Shunyi District, including front-end primary social healthcare system, middle-end hospital and general treatment system and back-end rehabilitation and nursing healthcare system, fostering the mutual support and sustainable cooperation mechanism. The establishment of a multi-level healthcare system can effectively ensure the smooth flow of patients in the district and reasonable distribution of pathogen, thus easing the problems of excessive patients in Grade II or above medical institutions and limited resources. It can also provide the community with continuous and customised healthcare, post-operative recovery and health management services, which will enhance the overall health level of the community.

The Proposed Cooperation will not only provide the citizens of Shunyi District with more diversified and comprehensive healthcare services, it will also enable the Group to strengthen its pioneering status in the reformation of the public healthcare system in the PRC and increase the number of general hospitals under the Group's management to 15 and social medical institutions to 42. This will also create a modeling effect for the Group's business expansion and its establishment of a multi-level healthcare system in the national healthcare industry by further optimising the development and distribution of general medical practitioner and primary social healthcare institution networks through a multi-level coordinative medical institution network.

It is expected that through cooperating with the Government of Shunyi District to establish a new multi-level social healthcare system, the Group's medical industry management scale and medical service capabilities can be further enhanced. It can also benefit the Group by creating synergies with the Group's current hospital network to promote resources sharing and cooperation among the member agencies, and thus optimising the Group's medical service business structure, enhancing the quality of the Group's medical service as well as operation and management capabilities. The Proposed Cooperation is another major step forward of the Group to move from focusing on individual hospitals to creating an entire healthcare services system, which will bring significant strategic value to the Group in expanding its business network.

The Board believes that the Proposed Cooperation can allow the Group to generate a stable long-term investment income and expand its hospital network. As such, the Board views that the Proposed Cooperation and the Cooperation Agreement are in the interests of the Company and its shareholders as a whole.

By Order of the Board  
**Phoenix Healthcare Group Co. Ltd**  
**LIANG Hongze**  
*Chairman*

Hong Kong, May 28, 2015

*As at the date of this announcement, the Board comprises Mr. Liang Hongze, Ms. Xu Jie, Mr. Zhang Xiaodan, Mr. Xu Zechang and Mr. Jiang Tianfan, as executive directors; Mr. Yang Huisheng and Mr. Rui Wei, as non-executive directors; and Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Wang Bing and Mr. Sun Jianhua, as independent non-executive directors.*